

PREM 19/1517

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GOVERNMENT

MACHINERY

Part 1: May 1979

Part 18: May 1985

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
13.5.85		24.7.85					
20.5.85		30.7.85					
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In folder attached:

- 1) Draft white paper
- 2) white paper "Lifting the Burden" July 1985
- 3) Efficiency unit report "Capital Expenditure Contracts". June 1985.

PART 18 ends:-

FERS to MEA / OLEwin 30.7.85

PART 19 begins:-

FERS to Employment (Norrington) 1.8.85-

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Making Buildings Pay: A guide to efficient energy management in industrial and commercial buildings, produced by the Energy Efficiency Office.

Multi-Departmental Review of Office Accommodation. Report to the Prime Minister. Supervising Minister: Lord Gowrie. Produced by Cabinet Office (MPO), PSA, Treasury and Prudential Assurance Co. June 1985

Signed

J. Gray

Date

6/2/2014

PREM Records Team

E. R.

MR ADDISON

MR LETWIN

SCRUTINY ON EMPLOYMENT PROGRAMMES

I have arranged to see Sir Robin Ibbs and Mr. Beasley at 1045 hrs on Thursday, 1 August to discuss the Efficiency Unit's proposals for scrutiny of the Community Programme. Can you both join me (if Mr. Letwin has not by then gone on leave).

R.E.R.B.

30 July, 1985



Semane

cc O. Letwin

10 DOWNING STREET

From the Private Secretary

24 July 1985

FOLLOW-UP TO AUDIT COMMISSION WORK ON VALUE FOR MONEY

The Prime Minister has seen your Secretary of State's letter of 19 July to the Chief Secretary and welcomes the steps he is taking to follow up Audit Commission work. She has noted the methods which the Audit Commission uses in marketing its work and has suggested that some of these techniques may be used to advantage in the Department of the Environment's campaigns on inner-city dereliction and surplus land disposal.

I am copying this letter to Richard Broadbent (Chief Secretary's Office) and Richard Hatfield (Cabinet Office).

(Andrew Turnbull)

John Ballard, Esq.,
Department of the Environment

5

23 July 1985

②
AT
23/7
AUDIT COMMISSION

Patrick Jenkin wants to preach the Audit Commission's gospel more widely by providing:

1. DoE material for Ministerial speeches on the horrors revealed by the Commission;
2. a summary of the annual Commission report for all English MPs;
3. better figures on unit costs in local authorities;
4. more funds from the DoE's own vote, to finance value-for-money training by the Local Government Training Board, and for competitions to spot both the most efficient and the most wasteful local authorities;
5. a publicity-generating conference on the Commission's work;
6. a new system for following up the defects in central Government practice identified by the Commission.

All of these proposals sound sensible. But the most interesting part of the paper is John Banham's description of the Commission's own publicity apparatus (page 3 of Annex B). Several features stand out:

- small cost (£100,000 pa);
- a small number of very well produced reports;
- free distribution of high-quality glossy summaries;
- frequent presentations, interviews etc (almost one a day);
- constant high-level contact with the 'client group';
- intensive coverage in the Press and other media.

Can central Government claim anything like the same success
for its publicity efforts?

We recommend that you should:

- i. welcome Patrick Jenkin's proposals; and
- ii. ask Patrick to consider using some of the Audit Commission's successful publicity tactics for his new campaigns on inner-city dereliction and surplus land disposal.

Oliver Letwin
OLIVER LETWIN

*Andrew
New*



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:

Your ref:

22 July 1985

Dear Hartley

"LIFTING THE BURDEN" - GREEN BELTS

As requested, I enclose a draft PQ and reply on deregulation and Green Belts, together with notes for supplementaries and background note.

I am sending a copy of this letter and the drafts to Andrew Turnbull.

Yours sincerely
A H Davis

A H DAVIS
Private Secretary

Hartley Booth Esq

DEREGULATION AND GREEN BELTS

Q. Will the Prime Minister confirm that there is nothing in the White Paper on deregulation ("Lifting the Burden") that presents a threat to the Green Belts?

A. Yes, Mr Speaker. The White Paper says explicitly that, while it is the Government's policy to simplify the planning system and improve its efficiency, so that it can facilitate much needed development which helps create jobs, we are equally concerned to protect and enhance the environment in town and country - and to maintain the Green Belts.

DEREGULATION AND GREEN BELTS

NOTES FOR SUPPLEMENTARIES

- Q1. No doubt the Government knows better than to trespass on the Green Belts, but what about the far greater areas of our precious countryside that are not protected by the Green Belts. Are they to be "deregulated"?
- A1. No sir. The White Paper makes it quite clear that we remain firmly committed to the well established policies designed to preserve our heritage of historic buildings and rural landscape, and to protect good agricultural land - as well as maintaining the Green Belts. But we must make proper provision of suitable land for development - to provide the jobs and houses that people need.
- Q2. Are not these objectives totally irreconcilable?
- A2. No. It is because there are these conflicting demands on land that we have a planning system. If there were no conflicts there would be no need for such a system. It is not always possible to reconcile these objectives but, insofar as they do conflict, those conflicts have to be resolved. It is essential that the planning system should carry out that function efficiently.
- Q3. Why is the Government allowing the erosion of the Green Belts?
- A3. Since 1979 we have greatly extended the area of approved Green Belts. They now cover well over 4 million acres. But they are not "no go" areas. Many people live and work in those areas and life must go on. But the policy remains what it has been since the original Green Belts circular of 1955 (which we re-issued last year):

"Inside a Green Belt, approval should not be given, except in very special circumstances, for the construction of new buildings or for the change of use of existing buildings for purposes other than agriculture, sport, cemeteries, institutions standing in extensive grounds, or other uses appropriate to a rural area".

Q1. Why then has the Secretary of State allowed 60 hectares of Green Belt land near Birmingham Airport to be released for development?

A4. My RHF was asked by the (West Midlands) County Council to approve their proposal to release an area more than twice that size for high technology development. He has published proposed modifications that would allow the smaller area (about 60 hectares) to be developed. I cannot comment further on that as objections have been received and the process of plan modification is not yet completed.

Q5. Are not the Government's real intentions revealed by the fact that the Secretary of State for Transport has agreed to sell for development land which he owns in the London Green Belt? (known as the "Golden Triangle" between the M1, M25 and A405 at Bricket Wood, Hertfordshire).

A5. I understand that an option to purchase has been agreed but that confers no permission for development. The purchaser has to apply for planning permission in the usual way - and, if permission is refused, an appeal may be made: so I cannot comment on the merits of that.

Q6. Does not the circular issued by the Secretary of State on the same day as the White Paper make it quite clear that "there is a presumption in favour of development" - and that represents the Government's true policy and one that will be disastrous for the countryside?

A6. The Hon Member should read that circular carefully. It is entirely consistent with the White Paper and with what I have said.

DEREGULATION AND GREEN BELTS

BACKGROUND NOTE

1. Chapter 3 of the White Paper Lifting the Burden (Cmnd. 9571) deals with Planning and Enterprise.
2. Paragraphs 3.2 and 3.3 are the key policy statements.
3. The accompanying circular published by the Secretary of State for the Environment Development and Employment is reproduced in Annex 2 to the White Paper.
4. The proposal that has attracted most attention in relation to planning is that for Simplified Planning Zones (see para 3.6(i)). This will require new legislation - which it is hoped to introduce in the next Session. SPZ's are intended chiefly to enable the kind of simplified planning regime that applies in Enterprise Zones to be extended to other areas. The local planning authority would have the power to establish SPZ's but private owners or developers could put proposals to the authority. The Secretary of State would have reserve powers to direct the authority to establish an SPZ (as he does at present in relation to local plans - although he has never had to use those powers). It is very unlikely that any authority would consider setting up an SPZ in a Green Belt, since that is an area where detailed control is warranted.

CCNO



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:
Your ref:

19 July 1985

Dear Chief Secretary

FOLLOW-UP TO AUDIT COMMISSION WORK ON VALUE FOR MONEY

In his presentation to Cabinet on 4 July, John Banham gave us a stimulating and challenging account of the work the Audit Commission is doing to identify where value for money can be improved in local authority services. We now need to consider how to follow this up.

The Commission have covered a great deal of ground over the past 2 years in detailed surveys and studies, and it has become abundantly clear that their overall message is correct and needs driving home throughout the country. In far too many authorities services are being provided inefficiently with unit costs way out of line with the practice of the best or even of the average authorities. This is not just a matter of authorities having very high standards of service - that might be justified as a matter of legitimate local choice. It is excessively high unit costs in delivering their chosen standard of services on which the Commission are rightly focussing.

The problem now is how to get these studies effectively followed-up by individual authorities. We need action on four main fronts:

- (i) marketing and publicity for the opportunities and approaches identified by the Commission;
- (ii) Detailed follow-up of individual studies with individual authorities;
- (iii) Detailed follow-up by Government departments of studies which raise policy issues for departments;
- (iv) Continuing financial pressure on authorities to give them the incentive to achieve improved value for money.

On marketing and publicity to wider audiences my colleagues and I in DOE already make regular use of material in the Audit Commission studies in speeches to underline the opportunities for value for money improvements. I have no doubt that colleagues in other Departments with local government responsibilities do the same. If any other colleagues would like speech material derived from the Audit commission work about opportunities for achieving greater value for money in local government, I should be glad to arrange for something

to be circulated. The great advantage of the Audit Commission's detailed work is that it produces specific and vivid examples, not just vague pieties about seeking greater efficiency. We have been using their reports this week in the debate on the RSG supplementary reports. And I expect to make further use of their examples when we announce the RSG figures for 1986-7 next week in order to underline the scope for individual authorities to achieve savings in particular services.

The Audit Commission will be publishing their annual report for 1984/5 next week, and giving it a wide circulation. I am planning to send a short summary which the Commission have prepared to all English MPs to commend and publicise their work. (Nicholas Edwards may wish to consider a similar approach to Welsh MPs).

Apart from Ministerial speeches, there may also be opportunities for more detailed promotional work by Departments, eg at conferences of relevant professionals, training courses, Departmental guidance etc. I am sure the departments concerned will consider these possibilities in relation to each study as they arise. I would not, however, wish to propose a substantial expansion of this kind to follow-up action by departments. It is too close to Government by circular and the kind of detailed intervention or nannying in local authority affairs which we have successfully diminished over the last five years. And in relation to Audit Commission studies, as Tom King pointed out, we could appear to prejudice the Commission's independence, and thus to diminish their usefulness if departments endeavoured to follow up Commission recommendations in too much detail.

The main detailed follow-up and promotion of the Commission's value for money recommendations is therefore best left outside government with the Commission itself, and with other relevant bodies including the Local Government Training Board, LAMSAC, the local authority associations, SOLACE, CIPFA and other professional bodies in so far as they can be persuaded or encouraged to take this up.

Since his presentation to Cabinet John Banham has himself been thinking further on these lines, and you may be interested to see his letter of 12 July to me about this. I take his point (on pages 2 and 3 of his letter) about the dangers of making too crude a linkage between the vfm opportunities identified by the Commission studies, and the savings on current expenditure which the Government is looking for in the RSG settlement figures. We shall have to be careful about how this is handled publicly so as to avoid prejudicing the Commission's position, and provoking resistance to their work in local authorities. I think that the best theme to emphasise is that improvements in vfm in local government should give local authorities themselves greater opportunities to resolve some of their present problems; resources can be freed from unnecessary activities and put to better use whether that be in the form of increased expenditure where it is needed (eg on capital works and maintenance) or in general benefit to the community through reductions in rate levels.

On pages 4-6 of his letter John Banham makes four specific suggestions as to how the Government might assist in accelerating implementation of the Commission's work:

(i) supporting additional audit time in "problem" authorities. I am sure additional audit in these authorities is desirable - but I have no powers to pay for this, and it would be highly controversial and probably counter-productive to seek them. We have therefore had to tell the Commission that we cannot offer support for this. I think they will still go ahead on their own and place the charges on the authorities concerned, which is really the right answer, uncomfortable though it may be for the Commission.

(ii) Direct assistance to the Local Government Training Board for expansion of their value for money training effort. This seems an excellent idea, which I intend to pursue.

(iii) Sponsoring an annual value for money competition. Another excellent idea which I intend to pursue. We might also encourage someone to run a "Golden Fleece" competition!

(iv) A high level conference on the way ahead for the Audit Commission. This too could be useful - it will of course be primarily for the Audit Commission to organise with local government, but a limited central government participation may also be appropriate.

If you or colleagues concerned have any comments on these points I should be glad to have them. I shall of course aim to find offsetting savings within my other programmes to cover any modest DOE expenditure (well under £1m pa) on items (ii) and (iii) above.

On the follow-up of individual studies with individual authorities, the Audit Commission and its auditors are clearly in the lead and must remain so. The Commission have devised and are implementing a systematic follow-through by individual auditors with individual authorities of the lessons derived from previous years value for money studies. The auditors seek to agree with each authority a specific and concrete programme for follow-up action to take advantage of the value for money opportunities identified. If this is effective we should begin to see the results coming through in the course of the present year. I should emphasise that the benefits will not always show up in reductions in local authority expenditure.

Some authorities may, quite legitimately, use the proceeds of any economies to enhance services where they judge this necessary. In order to pinpoint value for money improvements, we shall therefore need to monitor the relevant unit cost series. We are taking steps with the Commission and with CIPFA to try to ensure that relevant statistical series are established where they do not exist already.

The third area of follow-up arises where the Commission have identified aspects of Government policies or practices which may inhibit the quest for improved value for money in local government. The two Section 27 studies on the effects of the RSG system and of our Capital Control systems are the most obvious examples and have raised a number of issues which we are considering in the course of our reviews of these matters. But a number of the individual service studies have also raised issues affecting Government departments.

/ A list of points which my officials have noted on the studies that
/ have been carried out so far is attached at Annex I. Officials have also agreed an interdepartmental procedure for keeping track of the follow-up on these items - this is described at Annex II. I envisage having a round-up discussion once a year each autumn with the Chairman of the Commission and John Banham on this list of items as it develops to ensure that we are making sufficient progress at the Whitehall end in dealing with any constraints or inhibitions we are causing to the quest for value for money in local government.

Finally, we must clearly maintain the financial pressure on local authorities so as to give them incentive to achieve value for money improvements wherever they can. For 1986/7 we have now agreed a cash standstill in the level of provision, implying a 4½% reduction in real terms. This will be very hard to achieve, but as I have indicated we can parade some of the Audit Commission recommendations as illustrations of the kind of thing authorities could do to achieve the necessary economies. In the medium term, I attach the greatest importance in the local government finance studies to enhancing local accountability so that members are compelled to defend their record on high unit costs to their constituents, and can take real credit for any efficiency savings they can achieve.

CONCLUSION

In brief, I am suggesting the following follow-up action:

- (i) Ministerial speeches to rub home the value for money message as opportunity offers; I am happy to arrange circulation of briefing material derived from Audit Commission reports if wanted;
- (ii) Publicity for the Audit Commission's work to all MPs at the end of July when the Commission's report is published;
- (iii) Modest financial support for the Local Government Training Board's efforts in marketing Audit Commission approaches and opportunities; and for award schemes if these can be got off the ground;
- (iv) The Audit Commission to follow-up individual studies with individual authorities; the Commission and CIPFA to be encouraged to maintain and develop appropriate statistical series of unit costs so as to keep track of the results;

(v) Individual departments to follow-up recommendations about their policies and practices that may affect value for money in local government; the results to be drawn together for an annual round-up with the Audit Commission;

(vi) Continuing financial pressure to give authorities an incentive to pursue value for money; and in the longer term greater local accountability following from the Local Government Finance Studies, so as to give elected members stronger incentives to pursue value for money themselves. In particular we want to establish the message that greater efficiency in providing current services should enable more resources to be devoted to the work that is increasingly needed on capital and maintenance of the stock.

Copies of this letter go to the Prime Minister, Members of the Cabinet and to Sir Robert Armstrong.

Yours sincerely

Atkin

for

PATRICK JENKIN

*Approved by the SATS
and signed in his absence*

COMMISSION REPORTS - ACTION BY GOVERNMENT DEPARTMENTS

REPORT	DEPARTMENT	ITEMS FOR CONSIDERATION
Bringing tenants' arrears under control	DOE Lord Chancellor's Office DHSS	Promote better housing management practice and encourage preventive action by local authorities. Reduce delays in court hearings. Avoid changes in housing benefit at frequent intervals and at short notice, and improve co-ordination between central and local government.
Reducing the costs of local government purchases	DOE Crown Suppliers DHSS	Encourage and persuade local authorities to adopt good practice. Of interest to Crown Suppliers as both buyers and suppliers to local authorities. To draw findings to the attention of health authorities.
Securing further improvements in refuse collection	DOE DOE	Encourage and persuade authorities to adopt most cost-effective means of providing refuse collection service. The report pointed out weaknesses of bonus schemes, which were echoed in late reports. Local authorities should be encouraged to revise working arrangements of bonus schemes so as to improve productivity.
Impact on local authorities: Economy, Efficiency and Effectiveness of the Block Grant Distribution System	DOE	Commission concluded that there is:- - blurred accountability for local services; - lack of positive incentives for improved value for money; - detailed central government intervention in local affairs which can lead to conflicting signals from the centre to local government. School closures, housing programmes, police establishments and fire service establishments were cited.

REPORT	DEPARTMENT	ITEMS FOR CONSIDERATION
Improving vehicle fleet management in local government	DOE DTP	Promulgate good practice. Discussed report and potential savings with local authority associations.
Obtaining better value in Education aspects of non-teaching costs in secondary Schools	DES DHSS Home Office Crown Suppliers	Findings of general interest. Departments will wish to draw on report in dealings with local authorities. Used the Commission's study for internal review of performance.
Managing Social Services for the Elderly more effectively	DES DOE DHSS	Reduction in school places needs to be accelerated. More resources should be devoted to preventive maintenance. There is scope for improving maintenance performance by LEAs. School cleaning costs could be reduced through improved productivity. Encourage local authorities to increase delegation to schools. Shares DES's interest, with particular concern to see the large-scale potential savings realised.
	DHSS	Encourage and persuade authorities to:- - adopt more systematic approach towards management of services for the elderly; - minimise need for residential care by providing adequate support in the community; - recognise the contribution made by family and friends and provide support - improve operational effectiveness of existing services. At the national level the Commission called for:- - guidelines to be drawn up on providing care for the mentally ill; - clarification of government policy towards the reimbursement charges for private homes; - studies to:- 1. identify and quantify the different need groups;

AUDIT COMMISSION REPORTS DRAFT FOLLOW UP PROCEDURE

1. A distinction can be drawn between reports where one department clearly has the prime interest and those where several departments are affected. In the former case, the department principally involved will naturally assume responsibility for developing a considered response to the report and for ensuring that other relevant departments have the opportunity to contribute and are kept informed as appropriate. The form and nature of the response depends upon the particular circumstances of the report and the subject matter. It is for the lead department, in liaison with other interested departments, to determine, implement and monitor whatever follow up action is thought to be necessary.
2. In the case of reports which do not fall within the responsibility of any single department - usually these will be reports on local authority administrative functions and activities - the DOE will continue to fulfill a central co-ordinative role. DOE will arrange for other relevant departments to be informed of the report and invited to consider how best to promote useful Audit Commission recommendations so as to encourage delivery of the potential value for money gains.
3. It would be helpful if departments arranged for the sponsor division within DOE, Finance Analysis Central and Taxation, to be kept informed of developments relating to recommendations of the Audit Commission. DOE will maintain a standard record of the action proposed and taken *and* will aim to update this every 6 months and circulate the information to all interested departments.
4. About once a year the Secretary of State for the Environment meets all members of the Audit Commission to exchange views and review progress overall. A convenient time for this is after the Commission has published its annual report, which this year is due to appear at the end of July. The meeting will probably take place in September or October.

ANNEX B

The Audit Commission
for Local Authorities in England and Wales

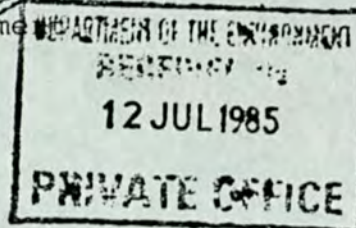
1 VINCENT SQUARE, LONDON SW1P 2PN
TELEPHONE: 01-828 1212 TELEX: 299192 AUDCOM

FROM THE CONTROLLER

C/85-7/JMMB/MJS



Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1



1. 2 of 3 to see
X intended to be a more general mtg - not focusing on Local Authorities - but drawing on A.C. expertise concerning various members.

2. To Osborn - for advice

July 12, 1985

- cc to Mr Baker
- Mr [unclear]
- Mr [unclear]
- Mr [unclear]
- Mr [unclear]
- Mr [unclear]
- Mr [unclear]
- Mr [unclear]

Dear Secretary of State

John Read and I were much encouraged by the reaction of the Prime Minister and your Cabinet colleagues to our presentation last week. At the suggestion of the Prime Minister's Private Secretary we have sent out the latest edition of a relevant Profile to all those present; and the Chief Secretary has arranged a further meeting to discuss how the Commission's approach might be applied more widely - as we made clear, in general, management within local government appears to compare quite favourably with that in other parts of the public service.

In the meantime, we have been giving some further thought to the marketing of the Commission's work and that of its auditors. We remain determined to see positive action resulting from all our efforts; there is little point in identifying opportunities if they are not realised. This letter summarizes the Commission's views on how Government could help both to establish a positive environment for change within local government and to support the Commission's marketing effort, without appearing to compromise that independence which is vital to our future effectiveness.

Establishing an Environment for Change

The greatest Government contribution to our work would come from strengthening local accountability - by changes in the arrangements for financing local government and for controlling its revenue and capital expenditure - and by ensuring that authorities continue to have positive incentives to take action in line with auditors' recommendations. It would be inappropriate to dwell further on the problems with the present grant distribution and capital expenditure control

systems; the Commission's views are already well known. However, the question of incentives for authorities is of some concern to us.

In the value-for-money field, the Commission and its auditors have no sanctions beyond 'the power of the pen'. We must therefore operate on the basis of co-operation and persuasion. Unless the Commission is seen to be independent, of central Government in particular, this strategy will not be viable. In our view, if there is any direct linkage in Ministers' statements between the level of the Rate Support Grant settlement and the Commission's work, this would have most serious repercussions for the Commission's future effectiveness.

- The Commission would be represented, inevitably, as agents of central Government. This would be particularly serious given the present 'atmosphere' arising from the action now underway in Lambeth and Liverpool, where leaders of the two authorities represent the Commission and its auditors as Government 'stooges'. Indeed you will be aware that the AMA recently passed (by a large majority) a resolution condemning the use of the audit service as a political instrument.
- The credibility of the Commission's assertion that it is for authorities to decide whether to invest any efficiency gains in better services or in lower rates would be destroyed.
- If potential efficiency gains are reflected directly in lower grant settlements the incentive for members of authorities to take action that is often politically risky for them (eg to close schools) would be reduced. Local authorities would perceive the distribution of benefits as being unreasonable: they would incur the pain; central Government would reap the benefits.
- The implication that instant action is possible is unrealistic, as the Commission has recognised explicitly: implementation of important changes in services inevitably takes time, if disruption is to be avoided; and in many cases capital expenditure is necessary as well.

At the same time, since the Exchequer is meeting around 50% of the revenue costs of local government, some sharing of the benefits of better value-for-money between central and local government is clearly reasonable. Moreover, most ratepayers are also taxpayers. And we can have no objection

to Ministers pointing out that the Commission has shown - and many authorities of all persuasions have demonstrated in practice - that worthwhile gains in operating efficiency are quite possible. What we hope can be avoided is any direct public linkage between the level of Rate Support Grant and the scale of the opportunities identified by the Commission.

Support for the
Commission's Marketing Effort

The Commission has devoted unusual efforts (at least for a public body) to marketing its work, as our Annual Report will demonstrate:

- We have one of the most effective information and public relations operations in the business, as radio and television producers and leading journalists constantly tell us. The service is contracted out, at a cost of around £100,000 a year. The service handles over 1,500 media queries a year; the attached catalogue of coverage achieved in the last month will provide some idea of the scale and success of their efforts.
- We are fairly prolific authors; and our value-for-money reports appear to enjoy an enviable reputation for professionalism, clarity and presentation. The publication programme is settling down at some 6-8 major publications a year, each dealing with potential annual improvements worth £50 million or more. HMSO report that total sales of our reports to date approach 20,000.
- Free summary broadsheets of all reports are made available for distribution to any interested members of authorities; and a special Annual Report for members is being prepared, summarizing what they should expect to obtain for the audit fee.
- Around 200 presentations and 50 radio/television/newspaper interviews are given by the Commission's senior officers every year. There are very few senior officers within local government who have not seen me or one of my senior colleagues in action somewhere in the last twelve months.

All this work is funded internally, from audit fees received by the Commission from local authorities. We think that this is the correct way to proceed; and our fee proposals for the next audit round, beginning in December 1985, will reflect the Commission's views on the appropriate level of marketing expenditure.

However, there is a limit to what the Commission can or should do on its own account. Our strategy calls for us to act as catalysts, not to duplicate the efforts of other organisations involved in the value-for-money field in local government. Moreover, one of our strengths is that we are small enough to be able to react promptly and reasonably effectively to opportunities that emerge. Such flexibility is only possible in a small, low overhead operation.

Against this background, there are at least four ways in which HM Government could contribute to accelerating the pace at which the opportunities identified by the Commission are implemented:

- (i) Supporting additional audit time in 'problem' authorities. The key to implementation of the opportunities identified by the Commission lies with auditors. To this end, we are investing heavily in training auditors. But it seems certain that additional audit time will be required in a number of smaller shire districts and in 'difficult' authorities in London in particular. For a variety of reasons, in these authorities it has not proved possible to spend the time on value-for-money projects that the local potential appears to warrant. In the next few weeks, the Commission will be putting proposals for increasing the audit effort in certain authorities to the Local Authority Associations and to the authorities involved. There will undoubtedly be protests; and your support for appropriate audit input to 'problem' authorities would be a very valuable contribution to our efforts.
- (ii) Providing direct assistance to the Local Government Training Board (LGTB). We are already working with the Board on a compendium of good management practice and on case studies for management training. We would like to see LGTB take on responsibility for marketing the Commission's management approaches to local governments. This might involve for example:
 - Setting up a management advisory service, to which any local authority could refer if it had a particular problem. Basically, LGTB would have a 'stable' of experts in every aspect of the management of local government armed with the collective wisdom of the Commission and others, whom they could place at the disposal of the client authorities.

- Sponsoring a series of regional conferences for members, 'educating' them in their responsibilities in achieving better value-for-money.
- Providing in-house seminars for members and officers of individual authorities. [We undertake these ourselves at present; but there is, obviously, a limit to how much ground we can cover]
- Documenting good management practice in a form suitable for dissemination throughout local government, following up the various Commission special studies. We envisage that our auditors would provide much of the raw material; but cases will need to be written up professionally for example.

LGTB are keen to take this task on; and we have been very impressed with their energy and commitment as well as their standing within local government - in marked contrast to that of LAMSAC unfortunately. But they will need some financial support; £200,000 a year should be sufficient to make a sizeable impact on the problem.

(iii) Raising the 'visibility' of value-for-money within local government. We have been discussing with your officials the possibility of promoting two competitions designed to raise 'awareness' of value-for-money issues within local government. Each competition might be sponsored by one of the local government journals (who would have a vested interest in promoting it aggressively) and the prizes could be awarded by a panel of judges comprising the Commission's Chairman [or me], and the Presidents of SOLACE and CIPFA.

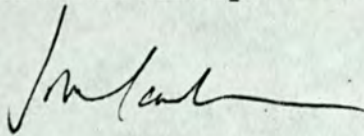
- Municipal Journal might be asked to sponsor an annual value-for-money competition, with substantial prize money available (perhaps £100,000). Local authorities would be invited to submit case examples of the best improvements in value-for-money achieved in the last twelve months. Municipal Journal would write up a different entry every week; prizes would be awarded at a national conference in the autumn.

- Local Government Chronicle might run a parallel 'Golden Fleece' Award. Nominations from auditors of the most shameless examples of waste and extravagance could be sought (possibly with the name of the authority disguised, to avoid legal difficulties). Again, there would be an Annual Awards ceremony (with someone like Esther Rantzen in the chair, perhaps) along the lines of Senator Proxmire's Awards - which have done so much to raise public consciousness in the united States about the waste in many of the military procurement programmes.

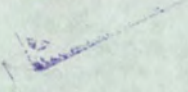
- (iv) Sponsoring a high level conference to be held early in 1986 on the way ahead for the Audit Commission over the next three years. This conference could be organised along the lines of those at Ditchley - with specially commissioned papers, invited participants, some syndicate work and published proceedings. It should be under the Chairmanship of the Commission's (new) Chairman and should take place in a local authority facility, preferably in an area with serious problems - perhaps Cleveland, which combines most of the problems of town and countryside.

I should perhaps add in conclusion that the most effective means of marketing the Commission and its work is for auditors to be seen to be securing beneficial change. Action speaks louder than words. Hence, our concern to ensure that auditors have sufficient time to carry out value-for-money investigations at the local level, and to ensure that the balance of incentives does not 'tilt' unduly in favour of central Government at the expense of local authorities.

Yours sincerely



John M M Banham





CABINET OFFICE

*From the Chancellor of the
Duchy of Lancaster*

Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE

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

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department
50 Queen Anne's Gate
London SW1H 9AT

19 July 1985

NBPM

L. L.,

MULTI-DEPARTMENT REVIEW OF OFFICE ACCOMMODATION

... I enclose a copy of the report on this review by the central team based in Cabinet Office (MPO). The Prime Minister has welcomed the report and has agreed that action documents should be commissioned from all government departments within 3 months; that the review should be published with a preface by me; and that MPO should co-ordinate follow-up and prepare a general progress report in 12 months. The Prime Minister has also suggested that the 3 year implementation period envisaged in the report should be regarded as a maximum rather than an average. I therefore invite you to set in hand the preparation of an action plan on the recommendations of the report.

Background

The review of departmental office accommodation management was included in the 1984 Efficiency Programme. Scrutinies were carried out in 8 departments and the review was co-ordinated by a central team in MPO with additional members from PSA, Treasury and the private sector (the Prudential Assurance Company). The central team's report draws out the common lessons of the departmental scrutinies and is of relevance to all departments.

Findings

The central team's report identifies potential savings of up to £50 million a year. It also draws attention to the need for improvements in maintenance and in the working

MANAGEMENT IN CONFIDENCE

environment, which is a poor advertisement for government and bad for the morale of civil servants. We are getting the worst of both worlds - lavish use of space and at the same time a bad working environment for our staff. The report demonstrates how departments can improve their management of accommodation within the overall framework of control of running costs. In addition it provides useful insights into the roles of line managers, accommodation managers and PSA. The comments of the central team on the development of the Property Repayment Service (PRS) will help consideration of Patrick Jenkin's recent proposals.

Action Documents

As usual with multi-department reviews, each department is required to prepare an action document setting out how they propose to respond to the recommendations of the central report. Most of the report's recommendations are directed at departments generally. A few are specifically for PSA or Treasury; the central departments will liaise particularly closely on these.

The Prime Minister has stressed the need for prompt action to implement the recommendations of the review. Action documents are due in 3 months. My officials in MPO responsible for the follow-up will be ready to help and advise departments on the preparation of their action documents and on implementation thereafter. It would be helpful if the individual you choose to be responsible for following up action on the review in your department could contact the liaison officer in MPO (Miss E M Goodison, ME1 Division on 01-233 4094) so that we can develop a network of official level contacts as soon as possible.

Departments are asked to take action on the report as a whole and not just on specific recommendations. The Prime Minister has particularly requested that the report's suggestions for improving energy efficiency, including the appointment of energy managers, should be acted upon and included in the progress report next year.

Publication

We aim to publish the report through HMSO in mid-September. Until then the report will remain "Management in Confidence". Your officials will however wish to begin to prepare your response immediately. My officials therefore aim to give the Council of Civil Service Unions an oral briefing during August on the contents of the report. When this has taken place, your officials will be able to sound out your departmental Trade Union Side on general proposals for action. I would ask, however, that the details of the report should not be discussed with departmental Trade Unions until after it has been published.

MANAGEMENT IN CONFIDENCE

Summary

Ministers in charge of departments are asked:

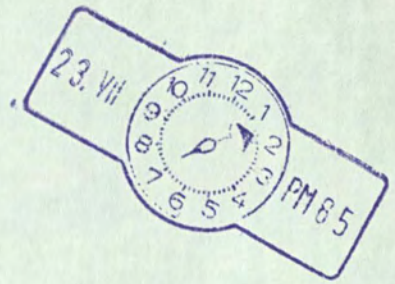
- to commission action documents on the report from each of the departments for which they are responsible;
- to identify an individual in each department to be responsible for following up the report. MPO should be informed of the name of this contact as soon as possible;
- to delay any discussion of action on the report with departmental Trade Union sides until after the CCSU has been briefed and to delay detailed discussion until after publication.

I am copying this letter to the Prime Minister and all Ministers in charge of departments with a copy of the report for each of the departments for which they are responsible.

2
2

GOWRIE

MANAGEMENT IN CONFIDENCE



PRIME MINISTER

DEPARTMENT OF EMPLOYMENT GROUP: VALUE FOR MONEY

Sir Robin Ibbs' minute attached suggests a scrutiny of the Employment measures, except for YTS which is being revised. The main one of these is the Community Programme.

I have discussed this recommendation with Mark Addison, who has a direct knowledge of Employment's programmes and Oliver Letwin. Both Mark and Oliver think that the present moment is a good one for a scrutiny of the YTS. It is going through an upheaval as a result of the change-over from a one-year to a two-year scheme, but much of the management will remain the same and the structure will be largely unchanged. Both Mark and Oliver therefore think that it would be a good moment to carry out a scrutiny of the YTS before the new arrangements get set in concrete.

Mark and Oliver have different views, however, about the Community Programme. Mark recalls that there was a scrutiny of the Community Programme which was completed just over a year ago, and he feels that a further scrutiny now would be premature. Oliver thinks that a further scrutiny now would be unlikely to do any harm and may do some good.

If you agree, before writing to the Department of Employment we will discuss with the Efficiency Unit these two comments, namely that there should be a scrutiny of YTS and that they should consider whether it is too soon to have a further scrutiny of the Community Programme. We will then come back to you with an agreed recommendation.

Agree?

*To the Public: must
it will seem a
strange line to have
a scrutiny of YTS. You have
no confidence in it - why have we
doubled it. not
FERS.*

18 July 1985



CCND

CONFIDENTIAL

PRIME MINISTER

DEPARTMENT OF EMPLOYMENT GROUP: VALUE FOR MONEY SEMINAR

I have now had time to reflect on the value for money seminar you held to discuss the DE Group with Tom King.

We have resolved the question of targets for the DE Group - I shall be letting you have a report on the targets review shortly. But I am left with some concern about the management of those schemes in the DE area which are growing very rapidly. Expenditure on the Employment measures and YTS has almost doubled in three years to £1.9 billion for 1985-86. This is a huge increase for any organisation to absorb. I know the DE statisticians and economists assess the value of the measures but a stocktaking look at the delivery and achievement of the measures against their objectives would be valuable.

I do not think it is practicable to look at YTS now as the change to a two year scheme is under way but the other areas, particularly the Community Programme, will spend £1100m in 1985/86. A scrutiny may be the best way of looking thoroughly at the objectives, management and delivery of these programmes.

I am attaching a possible draft for your private secretary to send to Tom King, if you agree.

Robin Ibbs

p.p. ROBIN IBBS
11 July 1985

(Approved by Sir Robin Ibbs and signed in his absence.)

DRAFT PRIVATE SECRETARY LETTER TO TOM KING'S PRIVATE SECRETARY

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT GROUP

At the Prime Minister's meeting on 5 June with your Secretary of State a number of issues were touched on but there was not time to discuss scrutinies in the DE Group.

Expenditure on Employment Measures has been rising rapidly. Including the YTS, the cost of Employment measures has almost doubled in three years to £1.9 billion for 1985-6. The Prime Minister is aware of the helpful work done by the Manpower Group to assess the value of measures but considers that a scrutiny of the delivery and achievement of the policies against their objectives would be valuable. Because of the change in the YTS to a two year scheme which is now under way the Prime Minister does not think it practicable to look at that just now. But she thinks that the other areas (and particularly the Community Programme) which will spend £1100m in 1985-86 would be a good area for scrutiny.

I am sending a copy of this letter to the private secretary to the Chief Secretary to the Treasury, Brian Nicholson at the MSC, Sir Robin Ibbs and Sir Robert Armstrong.

The PM ^{realised} ~~it was~~ that
it may be said that the
YTS is at a period of change
and there was a recent scrutiny
of the Community Programme.
But the very rapid growth
of these ^{and the huge sums of money} programmes ^{involved in them} makes it
particularly desirable that they
should be subject to scrutiny and
The PM would be grateful if your S of S
would discuss with Sir Robin Ibbs what a
scrutiny could most helpfully be undertaken

MR BUTLER

17 July 1985

DEPARTMENT OF EMPLOYMENT: VALUE FOR MONEY

I thoroughly agree with Mark Addison that the YTS should be investigated. The fact that the Scheme is changing is a positive advantage: there is a chance that a quick scrutiny now could be put into practice before anyone has a vested interest in opposing its recommendations.

I do not, however, agree with Mark about the CP. Peter Morrison has certainly kept a firm hand on the Programme; but he has not, so far as I am aware, had time to consider whether changes in the management system could deliver better results. The Coopers & Lybrand study last year - to which Mark refers - dealt only with financial control in the narrow sense. The last full Rayner Scrutiny was in 1982. A repeat of that, covering all the special measures, is most unlikely to do any harm, and may do some good.

I would alter the last two sentences of paragraph 2 in Sir Robin Ibbs' draft to read:

"Given that YTS is now expanding, the Prime Minister thinks that a quick scrutiny of the Scheme would be opportune. She also believes that the special measures (particularly the Community Programme) deserve a full investigation, since they will spend £1,100 million in 1985-86."

Robin Bush

I had a word with Olive, and have now checked on the date of the most recent scrutiny of CP. It was in fact completed just over a year ago. I stick by my earlier advice.

MB 15/7

Oliver Letwin

OLIVER LETWIN

Fl. Brittan



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

16 July 1985

Dear Leon

I attach a background note on the White Paper on Deregulation - 'Lifting the Burden'. I hope you and other colleagues on the Economic and Social Group will be able to give it a wide circulation among your group of MPs so that they can make good use of it in presenting the Government's policies.

Gordon

Little

[A long, sweeping handwritten flourish or signature line]

The Rt Hon Leon Brittan QC MP

"LIFTING THE BURDEN"

This White Paper (Cmnd 9571) was published on Tuesday 16 July. It contains a balanced programme for reducing the administrative and legislative burdens on business, thereby encouraging enterprise and the creation of jobs and wealth.

It is a balanced programme because it recognises that the Government have an important role in providing statutory protection for workers, consumers, and the general public. It also recognises that regulation is needed to protect our environment and our quality of life. The Government have been careful to maintain this basic protection while still taking a series of major steps forward in giving businesses the freedom to flourish and grow.

"Lifting the Burden" is the Government's response to the report published in March this year called "Burdens on Business": Report of a Scrutiny of Administrative and Legislative Requirements". This review covered the activities of the seven main Departments which have a significant impact on business - the Inland Revenue, Customs & Excise, Department of Health and Social Security, Department of Trade and Industry, Department of Employment, Department of the Environment and the Home Office. "Burdens on Business" clearly showed that Government requirements do constitute a major drain on business - particularly small business - in terms both of their direct cost and of their cost in management time. The new White Paper deals with the problems identified in this Scrutiny and with additional points drawn to the Government's attention in the many representations we have received.

The White Paper is the first major step in what will be a continuing programme of removing unnecessary regulations. It refers to a wide range of initiatives some of which have already been taken, some in hand, and some for the future. Each is designed to allow firms to divert scarce resources away from complying with bureaucratic requirements and towards developing and expanding their business.

/There are

There are nearly 80 proposals in "Lifting the Burden", including -

- simplified planning zones;
- giving firm guidance to local planning authorities on the importance of development and employment;
- reviewing the Use Classes Order which enables land and buildings to be used for various purposes without the need for planning permission;
- simplifying the building regulations;
- negotiating with the European Community to obtain increased flexibility to raise the VAT threshold (the threshold above which businesses must register for VAT);
- improving the operation of the VAT Schemes for retail businesses;
- clarifying the criteria for deciding whether a person is employed or self-employed (including the issue of a new, plain English leaflet);
- coordinating the work of DHSS and Inland Revenue officials to eliminate unnecessary duplicate visits to employers;
- consulting on the possibility of allowing employers to opt out of the Statutory Sick Pay Scheme;
- extending the qualifying period for unfair dismissal to two years for all businesses;
- designating one of the Health & Safety Commissioners to represent small firms' interests;
- consulting on the accounting and audit requirements for small companies;
- and repealing the Price Marking (Bargain Offers) Order and replacing it by a new general prohibition on false or misleading price information, supported by a statutory code of practice.

While these, and the other proposals in the report, will vary in the degree to which, individually, they impact on business, they all have in common the aim of lessening the amount of unnecessary bureaucracy and regulation with which business has to deal. Their cumulative effect therefore will be to bring about a substantial reduction in the cost of Government to business.

In addition, one of the key proposals in the White Paper - as recommended in "Burdens on Business" and by many of the organisations who made representations on that report - is the setting up of a new system within Government to scrutinise regulation. This will ensure that all proposed new legislation and regulation will be examined for its impact on business and that existing rules will be reviewed and then removed or simplified where they impose unreasonable burdens. The new arrangements will be carried out primarily by individual Departments but in addition a new Central Task Force is being set up as part of the Enterprise Unit of the Cabinet Office, reporting to Lord Young, the Minister without Portfolio, which will advise Departments on the carrying out of their internal deregulation procedures; scrutinise certain specific proposals; deal with other deregulation issues; and generally keep up the momentum behind "Lifting the Burden".

In parallel with this activity on the domestic front the Government are also taking action to cut the burdens imposed by European Community regulations and directives. In response to an initiative launched by the Prime Minister the European Council agreed in March that a European deregulation exercise should be set in hand. Work on this is proceeding well and the Commission are expected to table a full report to the Council meeting in December. The United Kingdom will be maintaining its efforts to ensure the success of this initiative.

Taken together, all these steps confirm the Government's commitment to reducing unnecessary constraints on enterprise, job creation and wealth. The Government are determined to lift the burden on business - but in a balanced way, with care and concern for all in our society.



10 DOWNING STREET

16 July 1985

From the Private Secretary

Dear Geoff

MULTI DEPARTMENT REVIEW OF OFFICE ACCOMMODATION
MANAGEMENT

My letter of 9 July to Paul Thomas records the Prime Minister's approval of the report sent to her by Lord Gowrie on 20 June. She subsequently saw your secretary of State's minute of 3 July.

The Prime Minister agrees that the appointment of energy managers in departments is important and expects that departmental responses to the review will cover this point. She believes that the bilateral contacts between your department and other departments can help to ensure that action is taken. In addition, the Prime Minister has asked that the progress report to be made in a year's time should cover the appointment and work of energy managers.

I am copying this letter to Paul Thomas (Lord Gowrie's office), Richard Broadbent (Chief Secretary's Office), John Ballard (Department of the Environment), David Normington (Department of Employment), Mike Norgrove (Minister of State's Office, H M Treasury), Vivian Life (Financial Secretary to the Treasury's Office), David Haldearn (Department of Trade and Industry), Andrew Melville (Department of Transport), S. Watts (Department of the Environment), Chris Joyce (Department of Health and Social Security), Sir Robin Ibbs, and Richard Hatfield (Cabinet Office).

Y es
Mark Addison

MARK ADDISON

Geoff Dart, Esq.,
Department of Energy

CONFIDENTIAL

Mr. Letwin

Have you a
view please?

17017

1. MR. TURNBULL ^{AF 15/7}
2. MR. BUTLER ^{FEB}

FEB

16.7.

DEPARTMENT OF EMPLOYMENT GROUP: VALUE FOR MONEY SEMINAR

You asked for comments on Sir Robin Ibbs' minute of 11 July, suggesting there should be a scrutiny of the management and delivery mechanisms for the Department of Employment and MSC special measures.

I take Sir Robin's point that YTS is now going through an upheaval following a changeover from a one year to a two year scheme. But I expect much of the management of the scheme will remain largely unchanged, and certainly the new structure will replicate the old, fundamental Mode A/Mode B distinction - with very different delivery mechanisms and funding arrangements. Though MSC have set up their own YTS evaluation procedures, these can get bogged down in detail, and it is often difficult to see the wood for the trees. So I should have thought a wider look at YTS aims, objectives and administration would be timely.

Another reason for focussing on YTS rather than on CP, is that, as I recall, there was a major scrutiny of the latter programme only about a year ago, whose recommendations I expect are still being implemented.

So if it is concluded that YTS should not be looked at now, I think there is a good case for not embarking on a major scrutiny of CP either at this stage. It is worth remembering that Peter Morrison has ministerial responsibility for CP as well as YTS, and that both are managed, at least from the Department, with a firm hand. There may, however, be something to be said for looking at the smaller MSC programmes (e.g., the voluntary projects programme, which seems to be working well), and seeing how far

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- 2 -

any lessons can be learned from these, and applied to their bigger brothers.

I think Oliver Letwin's views should also be sought.

Man Adhutor

MEA

15 July, 1985.

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CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Andrew Turnbull, Esq.,
10 Downing Street,
London, S.W.1.

15th July, 1985

Dear Andrew

DEREGULATION WHITE PAPER: "LIFTING THE BURDEN"

Further to my letter of 10th July, I now attach a final copy of the Statement to be made in the House of Lords tomorrow on the White Paper. As you know, the Statement will now be repeated in the Commons by the Financial Secretary to the Treasury.

I am sending copies of this letter to the Private Secretaries to members of E(A) and of MISC 114, and to John MacNaughton (Lord President's office), Peter Ricketts (Foreign and Commonwealth Office), Hugh Taylor (Home Office), Steve Godber (Department of Health and Social Security), Murdo Maclean (Chief Whip's office - House of Commons), David Beamish (Chief Whip's office - House of Lords), Richard Hatfield (Sir Robert Armstrong's office), Sir Robin Ibbs (Cabinet Office) and Bernard Ingham (No. 10).

Yours ever

Leigh

Leigh Lewis
Private Secretary

CONFIDENTIAL

DRAFT STATEMENT: "LIFTING THE BURDEN"

1. My Lords, one of the major objectives of this Government is to make sure that the right conditions exist for enterprise to flourish. This is essential for the creation of jobs and wealth. The country needs more jobs and we need more wealth to pay for all the socially desirable things we expect to be provided - such as pensions, the health service and education.
2. For far too long, successive Governments - albeit with good intentions - have tended to stifle much needed enterprise with restriction and regulation. Today, we are publishing a White Paper called "Lifting the Burden" which sets out to put that situation right.
3. As Noble Lords will recall, in March of this year, my Right Honourable Friend the Secretary of State for Trade & Industry published a report entitled "Burdens on Business". This showed that Government requirements do constitute a major drain on business - particularly small business - in terms of direct cost and of management time.
4. "Lifting the Burden" is the result of the Government's consideration of the recommendations in that report and of looking more widely at the scope for change. It also reflects the widespread representations on the report which the Government has received.
5. The White Paper is the first major step in a continuing programme of removing unnecessary regulations. It refers to a wide range of initiatives in a number of areas including planning, tax and social security, employment protection, and trade and industry - some of which have already been undertaken and some of which are for the future. Each is designed to allow firms to divert scarce resources away from complying with bureaucratic requirements and towards developing and expanding their business.

6. My Lords, this is but the beginning of the process, for one of the most important elements in the White Paper is the setting up of a new system within Government to assess proposed and existing regulations from the point of view of the burden they may impose on business. The primary responsibility for this must be within the appropriate Department but a Central Task Force is being set up, within the Enterprise Unit in the Cabinet Office, to assist Departments in their consideration of how the burden on business of regulations can be minimised.

7. I should emphasise to your Lordships' House that we are not seeking to remove all regulations. Essential protection for workers, consumers and the general public must be maintained. And we must protect our quality of life. The Government have sought to strike the right balance between liberty and license. The White Paper adopts a balanced approach. It represents a major step forward in giving businesses the freedom to flourish and grow. I commend it to your Lordships' attention.

PRIME MINISTER

ms

**MULTI DEPARTMENT REVIEW OF OFFICE ACCOMMODATION
MANAGEMENT**

You recently agreed that Lord Gowrie should take forward the recommendations which emerged from the Review of Office Accommodation Management (Flag B).

Peter Walker's minute (Flag A), attached, suggests that the Report's recommendations on energy savings should be included in the monitoring of Departments' follow-up.

Ian Beesley of the Efficiency Unit and the Policy Unit here think that the best way for Peter Walker to keep tabs on Departments' efforts on energy savings is through bilateral contacts between his Department and others. But they agree that Departments should be asked to ensure that their responses to the Review and their progress reports in due course should cover this point.

Content that I should ask Lord Gowrie's Office to deal with Peter Walker's suggestion in that way?

ms

Mark Addison

(MARK ADDISON)

15 July 1985

ME

15/7

The attached minute
was found with Nick Owen!

Martin?
Curt?

You will remember you have ~~the~~
~~the~~

~~was~~ agreed that had some should proceed with
following rule found in the rec or the
Pur die Review. Per W's note,
which suggests that the rec or any
surveys should form an agreed guideline
rec to be followed up.

It is not too late to take this job
lead if you need to do so. But I've been
LH 7/10 date P's part is central to meeting
any ~~at least~~ are also asked to ~~bring up~~ ~~the~~ ~~my~~ ~~old~~
~~but~~ ~~it~~ ~~is~~ ~~the~~ ~~it~~



Handwritten signature/initials

10 DOWNING STREET

From the Private Secretary

SIR ROBIN IBBS

CAPITAL EXPENDITURE CONTRACTS

The Prime Minister has seen your minute of 5 July and the Report attached to it. She found this extremely interesting and hopes that the shortcomings it reveals will be acted upon to produce better management of public sector contracts in the future.

She is content for you to discuss the report with Permanent Secretaries to establish how best to carry this work forward. She will await your advice on this.

I am copying this minute to Sir Robert Armstrong.

ANDREW TURNBULL

15 July 1985

Handwritten mark 'C' with a checkmark



10 DOWNING STREET

Prime Minister ①

The final outcome on the
Deregulation statement is
that it will be repeated by
John Moore who

- (i) was on MISC 114 and
understands the details
- (ii) represents a central
department
- (iii) is sufficiently senior.

BT

15/7

CONFIDENTIAL

file



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

Andrew Turnbull, Esq.,
10 Downing Street,
London, S.W.1.

15th July, 1985

Dear Andrew

DEREGULATION WHITE PAPER: "LIFTING THE BURDEN"

I am attaching a copy of the above White Paper which, as you know, is to be published at 3 p.m. tomorrow. I am also attaching copies of a speaking note on the White Paper.

I am sending copies of this letter to the Private Secretaries to members of the Cabinet and to members of MISC 114.

Yours ever

A handwritten signature in cursive script that reads "Leigh".

Leigh Lewis
Private Secretary

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"LIFTING THE BURDEN"

This White Paper (Cmnd 9571) was published on Tuesday 16 July. It contains a balanced programme for reducing the administrative and legislative burdens on business, thereby encouraging enterprise and the creation of jobs and wealth.

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"Lifting the Burden" is the Government's response to the report published in March this year called "Burdens on Business": Report of a Scrutiny of Administrative and Legislative Requirements". This review covered the activities of the seven main Departments which have a significant impact on business - the Inland Revenue, Customs & Excise, Department of Health and Social Security, Department of Trade and Industry, Department of Employment, Department of the Environment and the Home Office. "Burdens on Business" clearly showed that Government requirements do constitute a major drain on business - particularly small business - in terms both of their direct cost and of their cost in management time. The new White Paper deals with the problems identified in this Scrutiny and with additional points drawn to the Government's attention in the many representations we have received.

The White Paper is the first major step in what will be a continuing programme of removing unnecessary regulations. It refers to a wide range of initiatives some of which have already been taken, some in hand, and some for the future. Each is designed to allow firms to divert scarce resources away from complying with bureaucratic requirements and towards developing and expanding their business.

There are nearly 80 proposals in "Lifting the Burden", including -

- simplified planning zones;
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- reviewing the Use Classes Order which enables land and buildings to be used for various purposes without the need for planning permission;
- simplifying the building regulations;
- negotiating with the European Community to obtain increased flexibility to raise the VAT threshold (the threshold above which businesses must register for VAT);
- improving the operation of the VAT Schemes for retail businesses;
- clarifying the criteria for deciding whether a person is employed or self-employed (including the issue of a new, plain English leaflet;
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- consulting on the possibility of allowing employers to opt out of the Statutory Sick Pay Scheme;
- extending the qualifying period for unfair dismissal to two years for all businesses;
- designating one of the Health & Safety Commissioners to represent small firms' interests;
- consulting on the accounting and audit requirements for small companies;
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While these, and the other proposals in the report, will vary in the degree to which, individually, they impact on business, they all have in common the aim of lessening the amount of unnecessary bureaucracy and regulation with which business has to deal. Their cumulative effect therefore will be to bring about a substantial reduction in the cost of Government to business.

In addition, one of the key proposals in the White Paper - as recommended in "Burdens on Business" and by many of the organisations who made representations on that report - is the setting up of a new system within Government to scrutinise regulation. This will ensure that all proposed new legislation and regulation will be examined for its impact on business and that existing rules will be reviewed and then removed or simplified where they impose unreasonable burdens. The new arrangements will be carried out primarily by individual Departments but in addition a new Central Task Force is being set up as part of the Enterprise Unit of the Cabinet Office, reporting to Lord Young, the Minister without Portfolio, which will advise Departments on the carrying out of their internal deregulation procedures; scrutinise certain specific proposals; deal with other deregulation issues; and generally keep up the momentum behind "Lifting the Burden".

In parallel with this activity on the domestic front the Government are also taking action to cut the burdens imposed by European Community regulations and directives. In response to an initiative launched by the Prime Minister the European Council agreed in March that a European deregulation exercise should be set in hand. Work on this is proceeding well and the Commission are expected to table a full report to the Council meeting in December. The United Kingdom will be maintaining its efforts to ensure the success of this initiative.

Taken together, all these steps confirm the Government's commitment to reducing unnecessary constraints on enterprise, job creation and wealth. The Government are determined to lift the burden on business - but in a balanced way, with care and concern for all in our society.

Prime Minister ①

At this stage you read read only Sir Robin Ibbot minute, pages 1-6, and Annex 4, though some of the case studies make fascinating reading. Agree Sir Robin talks to arm Sec to discuss handling? Agree idea of publication (at least a version) be raised?

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12/17

Yes no
PRIME MINISTER

12 July 1985

CAPITAL EXPENDITURE CONTRACTS

The Efficiency Unit has produced a quick, excellent report, which confirms the points which we identified.

One of its conclusions is a little uncomfortable, in the context of restraints on pay and Civil Service numbers, namely that penny-pinching on key staff is a false economy. Major projects require able people, probably at Assistant Secretary level, to manage them. Project managers need authority within their Departments, so that they resist colleagues' demands to tinker expensively with projects in progress.

The summary is too kind to the real disasters in the sample. Although it records the proportion of projects which over-run on cost by 10% or more, it fails to point out that all five defence equipment contracts (Tigerfish Torpedo, Seabed Operations Vessel, SP 70 Howitzer, Foxhunter Radar, Nimrod) over-ran by around 50% in real terms. This is a point which you may wish to raise with Peter Levene and Michael Heseltine later this month. You could suggest that Peter Levene identifies all major over-running projects in the MoD, and cap them by renegotiation.

On the handling, why not suggest that the report, as well as a summary of out-turn costs against planned costs, be published? This will encourage Departments and contractors to do better.

Nicholas Owen
NICHOLAS OWEN

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NBPM AT 17 CCH

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DW218
Secretary of State for Trade and Industry

12 July 1985

Leigh Lewis Esq
Private Secretary to the
Minister without Portfolio
Cabinet Office
70 Whitehall
London
SW1

Dear Leigh,

DEREGULATION WHITE PAPER : LIFTING THE BURDEN

Thank you for your a copy of your letter of 10 July to Andrew Turnbull, enclosing a draft of Lord Young's proposed statement introducing the above White Paper in the House of Lords.

2. My Secretary of State is content with the text subject to a drafting change in the first sentence of paragraph 6. He considers that the setting up of a new system within Government to vet proposed regulations would be better described as 'one of the most important elements' in the White Paper rather than 'the most important element'; the current wording may divert attention from some of the other proposals in the White Paper which - in the short term at least - are likely to have a greater impact on business.

3. Although he recognises that this is not a point for inclusion in the statement, which understandably stresses the role of the new unit, my Secretary of State has asked me to reiterate the need for the unit to work closely with this Department, and the need to ensure that existing arrangements for consultation with business are not duplicated or disturbed. Lord Young will recall David Trippier's letter of 20 June on this issue, which is of course covered in Chapter 8 of the draft White Paper.

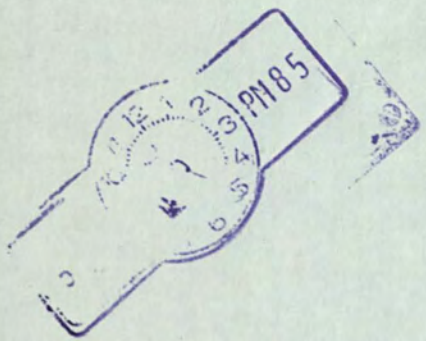


4. I am sending copies of this letter to Andrew Turnbull and to the Private Secretaries to the Members of E(A) and Misc 114, and to Joan MacNaughton (Lord President's Office), Peter Ricketts (Foreign and Commonwealth Office), Hugh Taylor (Home Office), Steve Godber (Department of Health and Social Security), Murdo Maclean (Chief Whip's Office - House of Commons), David Beamish (Chief Whip's Office - House of Lords), Mike Norgrove (Office of the Minister of State, HM Treasury), Richard Hatfield and Sir Robin Ibbs (Cabinet Office) and Bernard Ingham (No 10).

Yours es,

A handwritten signature in cursive script, appearing to read 'A. Lansley'.

ANDREW D LANSLEY
Private Secretary





Do we
need a
statement
no

10 DOWNING STREET

Prime Minister ①

Bernard is unhappy at the choice of Mr Whitney to repeat the statement. He believes this will subject the statement to derision.

The natural choice is David Trippes but he is in America next week.

An alternative is Barney Heyhoe, but he was not on MISC 114, is unfamiliar with the subject and is generally reluctant.

Mr Whitney was on MISC 114 and is keen to do it. Lord Young is content with this.

Do you prefer
Mr Heyhoe
or Mr Whitney?

AT

12/7

We cannot let

Mr. Whitney do it. - DHPJ
just do it. He will
have a chance. Who else? not



COVERING
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MR TURNBULL

c Mr Hatfield

CAPITAL EXPENDITURE CONTRACTS

I enclose a finished version of the report which Sir
Robin Ibbs submitted under cover of his minute of 5 July.

Kit Chivers

12th July 1985

Enc

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CAPITAL EXPENDITURE CONTRACTS

Pilot study by the
Efficiency Unit,

June 1985

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CAPITAL EXPENDITURE CONTRACTS

The Prime Minister asked the Efficiency Unit to examine the evidence of time and cost overruns on major capital projects, and to consider what steps should be taken to tackle the problem.

2. The Unit has made a quick survey of 30 recent major projects (Annex 1), mainly central government construction contracts but including a few nationalised industry and defence equipment projects for comparison. They have also talked to seven leading members of the Major Projects Association (Balfour Beatty, the CEGB, ICI, Ove Arup, RTZ, Tarmac and Willis Faber) to learn about best practice outside Government. Mr Michael Willacy of Shell (UK) has given his advice in a personal capacity.

The 1970's and the 1980's

3. Most of the projects examined originated in the 1970's, when industrial relations were much worse than they are today. Helped by the more favourable industrial climate, considerable improvements in time and cost performance have been recorded in the 1980's - notably in hospital building and in power-station construction, as Annex 2 shows. But the comments and prescriptions in this report are still entirely relevant.

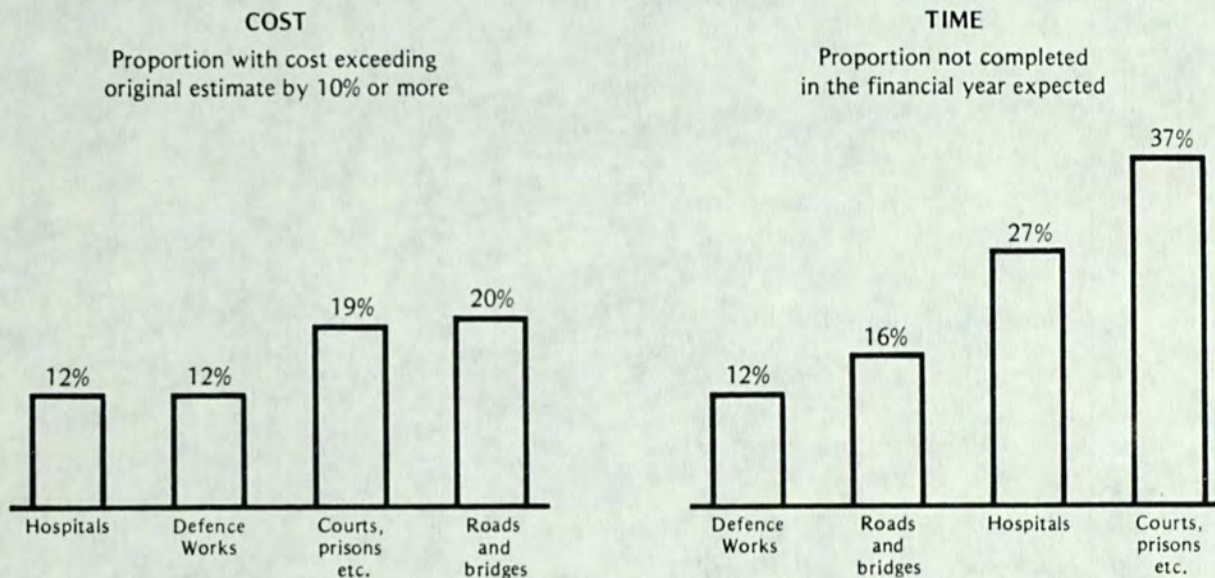
The scale of the problem

4. Central government expenditure on new construction is about £2.2 billion a year, roughly half of which appears in the Supply Estimates tables of 'major projects':

	<u>£ million, 1985-86</u>
Hospitals	270
Roads and bridges	360
Other civil projects	<u>470</u>
	1100

Defence major works account for another £300 million.

MAJOR LONGTERM CAPITAL PROJECTS
From Supply Estimates 1985-86 (see Table to Annex 3)



5. The Estimates show that almost a third of the civil projects are not completed in the year intended, and a sixth show a real-terms cost overrun of at least 10 per cent (see the Table attached to Annex 3). Not all of these overruns are culpable, as Annex 3 explains. Some are a natural consequence of the contract form employed. Nevertheless, the team judges that better management could produce savings of £50 to £100 million a year.*

* These savings will contribute to the total savings of £400 million identified by the MPO's report on "Government Purchasing" (December, 1984), and may help to carry the total beyond £400 million.

Findings

6. The Prime Minister asked the Unit to pay special attention to:

- (1) ensuring that the design problems are thought through before the contract is let;
- (2) ensuring that most contracts are put out to competitive tender;
- (3) securing the best balance between initial capital cost and subsequent maintenance cost;
- (4) whether over-specification is a common problem;
- (5) responsibility for cost control after the contract is let.

The team found examples of all of these problems in the projects they examined. (1) and (5) emerged as clearly the most important in terms of time and cost overruns, and it is on those that this report concentrates. The relevance of the recommendations in this report to the five specific points is shown in Annex 4.

Responsibility and ownership

7. Cost and time overruns can in large measure be traced to confusion about responsibility: often there is no-one in government who really owns the project. The benefits of clear ownership are:

- the planning and estimating has to be done more thoroughly;
- there is someone to exercise restraint on changes of plan in mid-stream; and
- it is possible to make a reality of financial discipline.

The first need for each large project (say £25 million or over) is to identify a Minister and an associated official as 'owners' of the project.

Project definition

8. The biggest mistakes arise in the basic decisions about what to build, where and by when. Government is at a disadvantage compared with the private sector. The pressure to show instant results makes for rushed decisions and expensive second thoughts. The political difficulty of abandoning a project once announced makes for a weak bargaining position in relation to contractors and work force. Government therefore needs to have stronger checks and disciplines than the private sector, to make sure the details are as firm as possible before an announcement is made. In fact, on the contrary, they are generally weaker.

Project approval

9. It is important that there should be an effective, independent, approving and thereafter monitoring authority, which in government has to be the Treasury. As with ownership of the project by the Department concerned, there needs correspondingly in the Treasury to be for each large project a Minister who formally takes responsibility for authorising it. Thereafter Treasury officials should keep an eye on performance against plan. For this to work well the Treasury needs to develop its own expertise and draw on the best available advice - both from PSA and from outside government - to make sure before approval and announcement that the designs are as defined and as economical as possible.

Financial control

10. Financial control is much more of a reality in the private sector. But introducing the same discipline into government requires as a pre-condition that there should be a different approach to project management, with a named individual who can take personal responsibility for the budget allocated to the project. The procedure typically followed in firms is described in Annex 6.

Project management

11. The first need is for clear constraints on finance and time for which the project manager can be held accountable. But project managers also need to be of a quality to enforce the necessary discipline. By comparison with the private sector, government under-manages large projects. As a result the government project manager is too dependent on the consultant architect or engineer who in practice

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is managing the project for him. The difference of approach and examples of the problems government incurs are illustrated in Annex 7 : 40,000 site works orders, for example, in the case of Liverpool Crown Courts.

What needs to be done

12. The position of the Government as owner of the project needs to be strengthened:

- (a) by hiring in a few good people on fixed-term contracts to manage the most difficult projects;
- (b) by increasing the responsibility, and raising the skills and status, of the project manager in government. Some proposals for this are in Annex 8; and
- (c) by redefining the relationship between PSA and its client Departments so that the latter can move towards taking over full 'ownership' of their projects, leaving the PSA in the role of managing agents (Annex 9).

Recommendations

13. The Efficiency Unit recommends:

- (1) Government should treat 'approval in principle' as the key stage of project approval. The aim at that stage should be:
 - to fix the requirement, subject only to very carefully controlled revision later;
 - to appoint a competent project manager who will normally see the project through;
 - to achieve a specified accuracy of costing (which may be different in different fields).

For the largest projects (over £50 million) it should be a formal procedure with personal Ministerial involvement.

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- (2) The Treasury should concentrate its effort on providing an independent control at the approval in principle stage, developing both its in-house expertise and its sources of outside advice.
- (3) The Treasury, assisted by the Central Unit on Purchasing, should make a study of best private-sector practice in appraisal and financial control, and report by end-December, 1985.
- (4) In the light of that study Departments should strengthen the financial discipline exercised over projects with effect from 1 April, 1986.
- (5) Departments should re-inforce their project management capability by hiring a few good outsiders to manage important projects, and raising the skills and status of their own staff who have to act in this role;
- (6) The financial and managerial relationship between PSA and its client Departments should be re-defined by 1 April, 1986 so that by 1 April, 1988 the Departments can become the clear 'owners' of their projects.
- (7) Departments should check by 1 April, 1986 that their management information systems enable them to set targets for improving their time and cost performance and to verify that those improvements are being achieved.

Efficiency Unit
70 Whitehall SW1

June 1985

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ANNEXES

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The projects examined

Hospitals

1. Paisley District General Hospital
2. Barrow and Maidstone Hospitals
3. Wrexham, Morryston and Bridgend Hospitals
4. Broadmoor Special Hospital

Road and bridges

5. M25: Reigate to Leatherhead
6. M25: Poyle to M4
7. Orwell Bridge
8. Kessock Bridge

Other civil construction

9. Liverpool and Leeds Crown Courts
10. Frankland Prison
11. International Conference Centre
12. The National Theatre
13. Blood Products Laboratory, Elstree
14. Spallation Neutron Source

Defence works

15. Wellington Barracks
16. RARDE Laboratories, Chertsey
17. Northwood Command Centre

Nationalised industry engineering projects

18. Isle of Grain and Drax power stations
19. Oakdale (National Coal Board)
20. POND 5 (British Nuclear Fuels Ltd)

Defence procurement contracts

21. Tigerfish heavyweight torpedo
22. Seabed Operations Vessel
23. SP70 self-propelled howitzer
24. Foxhunter air intercept radar
25. Nimrod airborne early warning system

1. PAISLEY DISTRICT GENERAL HOSPITAL

This is a very large, 700 bed; hospital with all major facilities. It employed the CLASP system of building, which had been little used in Scotland and never on this scale before. It was built in one go, not phased. It was therefore quite a high risk project.

2. Approval in principle was given in 1971, and the cost estimate then increased by 22% in real terms after tenders had been accepted in 1978 - mainly because of rising standards, changing technical requirements, and problems associated with the site. The tender estimate was £19.5 million. The lowest tender received was £21 million, and this was negotiated down to £19.5 million by the omission of certain features.

3. There have been problems associated with the use of the CLASP system, and in retrospect its use was a mistake. There were other problems too: the 1980 steel strike, leading to the bankrupting of two successive firms of steel fabricators; a transport strike; two bad winters; and a fire causing extensive damage.

4. The anticipated final cost will be £25 million (at tender prices) - a total real cost overrun of 28%. Agreed variations (largely to take account of changes in statutory requirements) were £2.1 million; fire reinstatement works £0.3 million; and excess costs subject to contractors' claims (and therefore potentially recoverable) £3.1 million. This last category arose out of a Design Team's failure to reconcile engineering and architectural drawings.

2. BARROW IN FURNESS DISTRICT GENERAL HOSPITAL

This was a 328-bed hospital, started in February 1978 and completed, 26 months late, in January 1984. The cost increased from £4.3 million at approval in principle stage to £10 million at tender, only half of that increase being attributable to inflation. Approved variations subsequently added £1 million, but there are also outstanding claims by the contractor for £6 million, so that the final cost could be anything between, say, £12 million and £17 million.

2. The cause was essentially a weak contractor who faced major problems as a result of labour shortages in Barrow, aggravated by the presence of a large PSA project nearby. The project also suffered from a long gestation period (involving two transfers between health authorities during planning), inexperienced consultants, and the difficulty of managing it in a relatively remote location.

3. Maidstone Hospital was examined for comparison. With 228 beds it was a smaller hospital, and one of the 'nucleus' designs. The experience with the 16 'nucleus' hospitals completed to date has been good: only one has overrun significantly on cost, and on average they have been below budget. Maidstone showed no delay, and the cost overrun was minimal.

3. BRIDGEND, MORRISTON AND WREXHAM HOSPITALS

A sample of three hospital building developments (Bridgend, Morrision and Wrexham) was considered, each involving around 300 beds and built on the Nucleus design concept for linking hospital buildings in a standard design plan.

	<u>Bridgend</u>	<u>Morrision</u>	<u>Wrexham</u>
Start date	Sept 81	Dec 80	Sept 81
Completion - Original	Dec 84	Aug 84	Jan 85
Estimate			
- Current Estimate/Achieved	Mar 85	May 85	Mar 85

2. The modest over-runs on Bridgend and Wrexham were due to testing and commissioning plant etc, and to weather delays. On Morrision major variations were introduced into the contract to provide new catering facilities and to enable geriatric accommodation to be added.

3. The contracts, in the range of £10 million to £15 million, were subject to DHSS standard costs allowances. After allowing for price fluctuations, Bridgend and Wrexham were both around £2 million inside original estimate while Morrision was over by around £1.2 million due to the additions mentioned above.

4. To ensure that specifications are adequate before contracts are placed the Health Authorities are required to give a certificate of readiness before proceeding to tender. This involves obtaining certificates from consultants and sub contractors for the completeness of the information supplied. In the case of Morrision the changes after the contract was let arose from policy changes outside the immediate planning of the hospital. Their inclusion was early enough to avoid additional claims from the contractor for disruption.

4. BROADMOOR SPECIAL HOSPITAL

This is the first stage of redeveloping Broadmoor as a special hospital with secure areas. Stage 1 is the construction of new ward and administration blocks, medical centre, kitchen, stores and gatehouse, with supporting plant etc.

2. The redevelopment received added impetus from the Rampton Review report in November 1980. The final sketch plan (FSP) for Stage 1 was drawn up in May 1981 for the two year contract to start in March 1982.

3. In practice there was a two year delay, until June 1983, while changes were made for new technology, increased area, redesigning fixtures etc. and incorporating lessons learned from other hospitals and the prison service. The two year contract was started in March 1984 and the current estimate is that completion will be about six months behind the target date of March 1986.

4. At the time of the FSP in May 1981 costs were estimated at £9.9 million. By June 1983 they had risen by £3.5 million, of which about £1 million was due to inflation and £2.5 million to additions. The contract was placed for £13.75 million in 1984 and the expected cash cost of completion is now £15.2 million (plus settlement of a contractor's claim of £1.5 million).

5. M25: REIGATE TO LEATHERHEAD

This section of the M25 comprises 7km of dual three-lane motorway, 2.5km of subsidiary roads, 11 bridges and 2 retaining walls.

2. The contract started in May 1983 and was scheduled for completion in December 1984. It is currently to be complete in August 1985.

3. In May 1984, the Department of Transport decided to change the specification for the road surface in order to secure longer term benefits in maintenance costs. This, together with technical problems over pilings required, added some 35 weeks delay to the contract, taking it through the winter period (from November to April) in which the Contractor had exercised his right not to undertake further works.

4. It is unlikely that the Contractor would have stopped work completely throughout the winter period in normal circumstances. However, there had been a management buy-out of one of the original contractors in 1984 and this was followed by a dispute with the unions over the notice given for the winter lay-off. As a result, the site was "blacked" from November 1984 to February 1985.

5. The Contractor has submitted claims totalling some £7.8 million of which £5.5 million is concerned with the change of concrete pavement specification. The Department of Transport's view is that the Contractor made heavy weather of the change. Other contractors affected by the same specification change managed to cope much more readily. The Department consider that the claim will be reduced substantially before being agreed.

6. M25: POYLE TO M4

This section of the M25 comprises 3.6km of dual four-lane motorway, a 4-level free-flow interchange with the M4, 14 bridges and 3 viaducts. The volume of infill in the site is broadly equivalent to that of the Great Pyramid.

2. The Contractors currently expect to complete the contract ahead of time. The expected final cost has, however, increased by over 25%. Most of the cost increase is accounted for by inflation. Approximately one-fifth (£2 million) is due to the need to provide replacement foundations for two bridges. A further £3.5 million of the increase is due to additional works specified after the letting of the contract.

3. The Contractors have performed extremely well on this contract, as evidenced for example by the lack of time penalties in spite of the engineering/design problems. The project has, however, suffered from the lack of adequate pre-contract time spent in preparation and planning. This was dictated by the very tight timetable required for completing the M25 through the junction and highlighted by the earlier completion of planning procedures. Given more time to plan, the Department would have been able to allow for certain desirable additions, eg. for ease of future maintenance, which in the event have become additions to the current contract.

7. THE ORWELL BRIDGE

This major bridge is on the southern section of the Ipswich Bypass which carries traffic on a more direct route from the port of Felixstowe to London. The Orwell is tidal up to Ipswich and the bridge is 41m high to allow passage of shipping up to the docks.

2. The contract was let on 29th October 1979 for completion in three years. A Dutch firm won the contract with a very competitive tender on this, its first entry into the UK market. In spite of a three month steel strike which disrupted supplies in early 1980, the contract over-ran by only seven weeks.

3. Other minor delays arose from increased safety requirements for pile driving and laying asphalt etc. Planning delays over the adjoining sections of the Bypass threatened to delay completion of the whole southern section by about nine months, but avoiding actions were taken including extra work on the bridge contract.

4. The Contractor's tender, with agreed remeasures, came to £25.0 million. Price variations for inflation added £6.9 million and other variations added £2.3 million, making a total of £34.2 million to date. A further contractor's claim of £7.9 million is outstanding and it is hoped to settle this for around £2 million or less.

8. KESSOCK BRIDGE

Kessock Bridge spans the Moray Firth at Inverness. It is a steel structure 1km long with a maximum span of 240m. carrying four lanes of traffic. The geology of the Moray Firth and its exposed position made this a difficult construction project.

2. The cost was estimated in 1975 to be £17.5 million, but when a first round of tenders was invited the steel constructors got together and bids came in at £30 million. Fresh tenders were invited in March 1977 on a 'design and build' basis. The successful bid this time was for £17.26 million.

3. The final cost was £33 million and completion was 13 months late, in July 1982. The real cost increase on £17.26 million was £3.8 million (22%). The main problems encountered in construction were with the foundations and with supplies of steel (the 1980 steel strike). There were also some differences of interpretation between the British and German engineers employed. The SDD comment: "on a project of this size and complexity it is inevitable that unexpected situations will arise. The Conditions of Contract provide for these and enable time and money to be allocated. This scheme followed a normal profile of time and expenditure."

9. LIVERPOOL CROWN COURTS

This was a new building housing 28 courts. It was the first major courts building undertaken by PSA following the transfer of responsibility for court building in the 1970 Courts Act.

2. Approval in principle was given in January 1972 at an estimated cost of £4.8 million. By the time the contract was let in mid 1977 the cost had risen to £21.6 million (in prices of the day). The final cost of £43.4 million represents a real terms increase of 33% over the tender price. The target completion date of March 1982 slipped by 22 months to January 1984.

3. The sharp increase between approval in principle and tender was due to PSA's inexperience in making the original estimate. The subsequent delays and cost increases were due to the lack of pre-planning; the contractor's difficulties in handling a contract of this scale; a difficult workforce; problems with subcontractors and suppliers; and poor co-ordination between the contractors and the consultants. 40,000 variation orders were issued in the course of the contract.

4. Leeds Crown Court was examined for comparison. The project was only half the size of Liverpool, was better prepared before it went on site and benefitted from a stronger contractor. As a result there was only 3 months' slippage and the cost came in more or less on target.

10. FRANKLAND PRISON

This green-field site construction was a Category B Dispersal Prison for around 430 inmates, with a Category A Maximum Security wing.

2. Construction was started in January 1977 and scheduled to last 33 months. The main part of the contract over-ran by about fifteen months and construction was completed in February 1981. However changes and rectifications have continued to 1985. At the time of its opening in April 1982 the prison could not be used for maximum security prisoners because of work needed to strengthen cell windows and walls and meet current standards.

3. In January 1975 approval was given for FSP estimated costs of £8.7 million. However, the lowest tender received in June 1975 was £10.4 million. After negotiations with the lowest tenderer the contract was let in October 1976 for £10.4 million. Inflation has added £3.9 million and contract variations £1.2 million. The total stands at £15.5 million plus a contractor's claim for £2.5 million which has yet to be settled.

11. INTERNATIONAL CONFERENCE CENTRE (ICC)

The ICC superstructure project comprises the construction fitting out and furnishings of the Centre's superstructure, the fitting out and furnishings of the Centre's substructure and the fitting out of the Parliamentary Telephone Exchange and landscaping.

2. The project is being carried out under a management contract and is currently expected to be completed on time. This form of contract provides flexibility in dealing with programming difficulties and enables detailed design to continue as the project progresses. PSA considers that, if a lump sum contract had been used, the project would be at least 6 months behind schedule.

3. The pre-tender estimate of costs was £38.175 million. The currently expected outturn for the project is estimated at £65.6 million. Less than a third of this increase is accounted for by inflation. The remainder is attributable to additional unforeseen circumstances, additional facilities incorporated after approval of the original specification and elements of the overall project that were not included in the original estimate. For example, furniture and fittings costing £5.3 million and consultants' fees and PSA costs of £13.2 million were not included in the costs attributable to the project at the estimating stage. Nor was provision made for running costs, currently estimated at £3 million a year. In effect, the original estimate covered only the basic costs of the construction contract.

12. THE NATIONAL THEATRE

The project involved the construction on the South bank of two theatres, a theatre workshop, restaurant and other facilities.

2. The main contract for the superstructure was placed in November 1970, for completion in about three years. Through extensions of time, the contract period doubled and the main parts were completed in stages over 1976-77. Rectifications continued after this (leaking roofs etc) and the last certificate of practical completion was given in July 1982.

3. The GLC, who were to contribute half the costs imposed an effective cash limit and refused to increase this with inflation. As a result the project ran out of money and Government contributed an extra £2.3 million in 1972. This went further than restoring the original contract and a number of additions were introduced. These changes gave rise to extra costs and delays.

4. The main contract was placed in 1970 at £6.4 million but has since increased to around £14 million through price variations and additions. Other direct contracts of £2 million plus fees, furnishings etc make up the project total of £20 million.

13. THE BLOOD PRODUCTS LABORATORY

This development is to treble manufacturing capacity for blood products from plasma. In line with a WHO recommendation it will make the UK self-sufficient in blood products and will achieve substantial import-savings and income from sales abroad. It will also replace out-of-date plant which is below modern health standards.

2. Due to urgency, the project was set up as a fast-track design and build contract, following a feasibility study of only six weeks. The project started in May 1983 and was due for completion in December 1985. The time over-run is currently forecast to be around one month.

3. At the time of the feasibility study costs were forecast at around £21 million, now equivalent to £26.9 million at current prices. Subsequently cost estimates increased to £38.2 million following detailed design work and through further upgrading of plant to reflect latest technology, better environmental control and automation. No contingency sum was included in the original cost planning figure.

14. SPALLATION NEUTRON SOURCE

The Spallation Neutron Source (SNS) is being developed by the Rutherford Appleton Laboratory of the Science and Engineering Research Council. The SNS consists of a high intensity proton accelerator capable of producing rapid bursts of fast neutrons from a uranium target. The SNS will be the world's most powerful source of pulsed neutrons for research into condensed matter.

2. Initial authorisation for the project, at an estimated cost of £7.86 million, was given in 1977. It was expected at that stage that the SNS would be operational by the end of 1982. In fact, the SNS first ran in December 1984. Final outturn on the project is currently estimated to be around £16 million (at March 1985 prices).

3. At the stage of the approval of the initial estimate only limited designs had been completed. By February 1980, engineering designs were finalised and additional funds were sought for spares not previously included in the estimate (£0.75 million), a larger than anticipated crane for the accelerator room (£0.18 million) and provision for a larger number of instrument stations than planned (£0.25 million). Apart from these additions, all cost increases are attributable to inflation.

4. The SNS was two years late in achieving first operation. This delay was caused by reductions in project funding in the first few years below planned levels. These reductions inevitably led to a slower than planned progress on the project. There were also problems with the manufacture of certain engineering components of the accelerator, some of which were delivered 18 months late; but given the restricted funding rate these delays did not lead to any overall extension of the project. No investment appraisal was completed on the project, so it was not possible during the project to determine if any benefits (eg from reducing expenditure on alternative facilities overseas) were delayed by the restrictions on project expenditure.

15. WELLINGTON BARRACKS

Wellington Barracks provides living, working and training facilities for a Foot Guards battalion establishment of about 1,200 officers and men on a 9-acre site in central London.

2. The project was originally approved in 1970. In 1977 it was decided not to go ahead with the project and the plans were shelved. In June 1978 this decision was reversed and contracts were let in April 1979. The contract was scheduled for completion in April 1983 at a cost of £35 million (at September 1983 prices). The contract was in fact completed in November 1984 (39% time overrun). Final outturn is currently estimated at £45.5 million (September 1983 prices) - a cost overrun of 30%.

3. About 70% of the overrun is attributable to claims by the contractor for delays and other costs. The rest of the overrun is due to revisions to the estimate by PSA, changes in MOD's requirements, unforeseen circumstances encountered during the contract and changes in the estimated amount of work involved.

4. The project suffered from the outset from the decision to go ahead quickly on the basis of plans that were out of date in terms of standards and client and statutory requirements. While the main project was in doubt, refurbishment of existing buildings had been authorised and work started. On the small site, that work interfered with the new building. Further PSA were obliged to make changes to the heating system when the Gas Board decided at a late stage that it could not guarantee supplies (a decision that it later reversed).

5. The contractor's management team could have been stronger. The Consulting Architects provided insufficient resources to respond to the large number of changes necessary during the project. PSA project management was initially not as strong as it should have been but the Agency took firm steps to rectify this once problems were identified.

16. RARDE - NEW AUTOMOTIVE LABORATORIES (STAGE II)

The Royal Armament Research and Development Establishment laboratories were constructed for extreme climatic tests to guns, tanks and other military equipment. They are unique in NATO. The conditions which can be reproduced range from over 50°C down to over 40°C of frost, altitude conditions up to 14,000 feet, windspeeds up to 60mph and humidity up to 99%. The main contractor was a construction firm, but the sub-contract for mechanical equipment (M&E) was much larger.

2. The contract was let in 1977 and scheduled to take 2.5 years. The tender received for the M&E work proposed direct refrigeration (rather than stored refrigeration) at a saving in construction costs of around £0.5 million. This was investigated with outside advice. Direct refrigeration was considered superior and more effective over longer operating periods. However it took around two years before these changes were fully specified: for example, the electrical supply had to be upgraded and the building design modified during construction. Other changes were also required by MOD but these were of less effect.

3. The trials and testing were prolonged due to the unique problems experienced eg the effect of exhaust fumes and moisture in cold temperatures. The first of the two chambers was handed over in February 1985 and the project has taken over seven years to complete.

4. The latest estimate of costs is £27.8 million (at 1984 prices), which represents an increase in real terms of about 60% over the original 1977 estimate. In addition sub-contractors' claims of around £3.4 million are outstanding.

17. NORTHWOOD COMMAND CENTRE

The management of the construction of an underground extension to the Navy command centre at Northwood was undertaken by PSA for MOD in 1975. It was originally estimated to be completed in 1981 for between £12.2 million and £21.2 million (at 1983 prices).

2. Pre-tender planning was severely constrained by the urgency MOD attached to the project. However, shortly after the contract was let MOD undertook a radical review of the requirement: this review, and the subsequent discussions, took over two years to complete. Throughout this period, PSA juggled with the scheduling of the contract (involving the suspension of work on one major part of it) in order to ensure that progress would not be delayed when final decisions were reached. In the event, MOD decided in 1980 to proceed with the original specification.

3. Because of the speed with which the project was started, with tenders being sought on the basis of only rough specifications, PSA obtained approval of a dual estimate for the construction work. Final outturn will be within the range approved.

18. ISLE OF GRAIN POWER STATION

The Isle of Grain power station was designed for five 660 MW units but the fifth unit was not installed. It is the largest oil-fired power station in Europe. Its construction was managed by the Central Electricity Generating Board (CEGB).

2. The construction of the power station began in 1971. At that time it was estimated to cost £342 million and to be completed in 1978. It was finally completed in 1984 (86% overrun) at a cost of £621 million (81% cost overrun). Most of the cost overrun is attributable to inflation during the project. However a significant proportion is attributable to underestimation of the work and costs involved, to design and policy changes during the contract and particularly to site disputes and low productivity.

3. The project was beset by labour problems throughout. The productivity of the labour force of the original steel contractor was so low that in early 1974 the contract was severed and, three months later, relet to another contractor. Overall, in the period 1972 to 1979 out of 19.3 million hours available for work 2.2 million (11%) were lost as a result of a series of disputes over pay and conditions and a national civil engineering strike.

4. Many lessons have been learned by the CEGB from the construction of the Isle of Grain power station and these have been fed through effectively into subsequent projects such as Drax. In particular, management co-ordination and control has been strengthened and design changes have been kept to a minimum.

19. OAKDALE - STAGE II DEVELOPMENT

This project by the South Wales Area of the NCB was planned to extend the life of the Oakdale Colliery Combine by around 10 years into the 1990s. It involved driving two underground main roadways to give access to 10 million tonnes of new reserves to the south.

2. The project was approved in October 1979 and was put out for tender. Completion was planned for February 1983 and achieved thirteen months later in March 1984. The delays arose from work needed to link other underground routes and geological conditions which required the installation of extra dust extraction plant and other extra work. These conditions could not have been foreseen without lengthy geological exploration which would not have been cost-effective.

3. In 1979 the project's costs were forecast at £7.8 million. Final costs were £10.9 million. Inflation gave rise to £2.6 million of this increase and £0.5 million arose from the extra work, the new dust filter and extractor fan housing etc.

4. At the outset the project showed an attractive 32% DCF yield, well above the 10% target. Since then demand has fallen and due to pressure from imports selling prices have increased narrowly while operating costs have risen by over 50%. Profitability has also been affected by the miners' strike. To reach break-even it is planned to rationalise out unproductive parts and to increase average productivity. As a result, full production will not be achieved until 1987-88 but break-even is expected by then even if selling prices remain flat. In this context the project is seen as a success and vital to the total operation of the colliery.

20. POND 5

Pond 5 is a storage and decanning facility used by British Nuclear Fuels plc (BNFL) to prepare irradiated Magnox and Advanced Gas-cooled Reactor fuel for reprocessing. The plant comprises receipt, storage and decanning operations together with comprehensive maintenance and decontamination facilities. Much of it is designed for remote operation to reduce potential radiation rates to operators.

Designing started in 1975 and the project was approved at the end of the following year. The main civil engineering contract was started in October 1977. Initially, the project was estimated to cost £141 million and to be completed by June 1981. The project is now expected to be completed in August 1985 (113% overrun) at an outturn cost of £315 million (123% cost overrun).

Most of the cost overrun is attributable to inflation. However, one year after approval of the project a number of substantial design changes were made, some for operational reasons as BNFL developed its own thinking on the requirements and some in order to meet changes in safety requirements imposed by the Nuclear Installations Inspectorate. By the end of 1979, BNFL recognised that the project was off course and revised their estimates of the completion date and cost. With hindsight, BNFL consider that the project suffered particularly both from the lack of any clear project definition in the early stages and from an underestimate of the level of expert management effort that the project required.

21. TIGERFISH HEAVYWEIGHT TORPEDO

The aim of this project is to develop the Mark 24 torpedo both to improve its anti-submarine capability and to provide an anti-ship capacity. The project started in 1972 and was originally planned for completion in 1977. MOD currently expects the operational requirement to be met at the completion of a consolidation programme towards the end of 1985. In real terms, final costs are likely to exceed estimated costs by 43% for the development programme and by 55% for the production programme.

2. MOD has maintained a very small in-house project team whose main role has been to monitor and facilitate the development of the project by working closely both with the naval staffs and the contractor. The project as a whole has been reviewed fundamentally by MOD on an annual basis since 1974.

3. The technical complexity of the project was initially underestimated. Due to insufficient funding, the Mod 0 torpedo had not been fully proved before the start of the project and further technical problems were identified as the Mod 1 version was developed. In addition, some enhancements were incorporated as the project progressed. In 1977, the project team had to sponsor the development of a new firing system for the torpedo. This had been planned, but as a separate in-house project on a rather later timescale; and in the event it needed to be brought forward into the Mod 1 schedule.

4. In the later stages of this project MOD have adopted a systems-approach to development on an experimental basis. The experiment is currently being evaluated.

22. SEABED OPERATIONS VESSEL (HMS CHALLENGER)

This was the design and construction of a unique vessel for control of undersea operations including diving and manned and unmanned submersibles. Its facilities included a saturation diving system (SDS) and computerised location and seabed positioning equipment. The SDS was developed separately at DGUW, Portland while the vessel itself was placed as a design contract with a reputable shipyard.

2. The project received central committee approval in 1976 with a prospective ISD (in service date) of 1981. By the time the requirement was defined and the contract placed in 1979, the prospective ISD was late 1983. This has now become 1987 following shipyard delays including substantial rectification work on the equipment wiring, and the need to redesign and replace the SDS following failures under test and a more extensive trials period for this complex and novel ship.

3. Between 1975/6 and 1979, the estimated cost rose by 32% in real terms, on re-assessment of the complexity and requirements of the project. The central committee reapproved the project in 1979, but in view of the substantial increase in costs a ceiling was imposed in real terms. This differs from other projects where increases of up to 20% are normally acceptable to cover design enhancements and other changes during construction. The cost ceiling was held until 1982 when further approval was obtained for the wiring and SDS problems. Latest prospective costs are forecast at £160 million (at 1983/4 prices) including the cost of a chartered vessel pending completion. This is a further increase of around 22% in real terms.

23. SP70 SELF-PROPELLED HOWITZER

Development of the SP70 was arranged in 1971 as a co-operative project between the UK, West Germany and Italy. The development work was divided between them with the UK undertaking the turret and sights.

2. At the outset, an in-service date (ISD) of 1980 was planned with UK development costs of around £7 million (at 1970 prices). By 1977 trials showed that the design could not be relied upon to meet the agreed operational characteristics (AOCs), such as firing and loading rates, and crew safety could not be guaranteed.

3. A project definition study was commissioned in June 1977. This gave rise to a major redesign of the UK part and this was known as Phase B. Further modifications were made to the development programme in 1983. In 1985 the main UK contract was moved from RARDE to ROF. This was intended as a transfer from an R + D establishment to a business more dedicated to achieving production.

24. 'FOXHUNTER' AIR INTERCEPT RADAR

This radar has been developed for the air defence variant of the Tornado. It had to be designed to achieve very high performance within the tight constraints imposed by the Tornado airframe. The requirement was deliberately pitched at the limits of what was believed to be achievable.

2. Development started at end-75 and was intended to be complete by mid-81. It is currently about 90% complete and will be finished by end-86. The original cost estimate is expected to be exceeded by some 50% in real terms. The performance specification has also had to be reduced somewhat.

3. Production started in mid-79. Deliveries of the first batch of radars commenced in mid-83 and were virtually completed by early 1985. The production delivery programme is approximately 2.5 years behind schedule and production costs are 17% higher in real terms than when the project was planned.

4. The time and cost overruns were due to unforeseen technical difficulties in achieving the desired performance, and the GEC's design resources being overstretched by the combination of this and the Nimrod AEW. The company is not thought to have handled the project well, and efficiency payments have been, and are being, withheld on development. Firm prices and liquidated damage provisions have been agreed for production.

25. NIMROD AEW SYSTEM

In broad terms the requirement is for 11 aircraft to replace and enhance the airborne early warning capability currently provided by the Shackletons. The AEW system is expected to track simultaneously up to 400 low-flying fighter-type targets at ranges up to 175 nautical miles.

2. The original estimate in 1976 was for a cost of £267 million and an in-service date of September 1981. The estimate when contracts were let in 1977 was £306 million and an ISD of May 1982. The latest available estimate of the final cost is £1,075 million: an increase in real terms of 67% over the original estimate and 56% over the estimate when the contract was let. There has been greater difficulty in achieving the required specification.

3. Negotiations are proceeding over a new development contract whereby the firm, GAV, would shoulder the risk to achieve an agreed specification within an agreed timescale.

THE 1970's AND THE 1980'sIndustrial relations

In the 1970's, according to NEDO, engineering construction was characterised "by all major contracts being late and overspent and by the existence of a highly unstable industrial relations climate".

2. The 1981 National Agreement for the Engineering Construction Industry and the setting up of the National Joint Council, combined with the changed economic climate, have had a marked effect in both the public and private sectors. For example, though the National Agreement undoubtedly costs money, and international comparisons show that the CEGB is still an expensive builder of power stations, working hours lost through disputes on CEGB sites declined from 3.4 per cent of total in 1979 to 0.58 per cent in 1983.

3. The industrial relations picture is currently very favourable, though the new arrangements have yet to be tested at any but a low level of business activity. Firms told us that capacity in most parts of the construction industry had been reduced severely, however, so that overheating could easily occur (eg in steel fabrication) if there were to be more than a gentle and steady recovery of demand.

4. Even at a time when the supply of labour is easy there are dangers in taking it for granted. Some contract labour is migrant, but some is not, or will not migrate to all places equally. There are places like Merseyside and the lower Thames where the labour force is particularly difficult to handle. It is also inevitable that the workforce will wish to exploit its increasingly strong bargaining position as the project nears completion: management needs to be ready for this.

5. In the last resort government has got to be prepared to walk away from a site if the situation becomes too bad, as the CEGB did at the Isle of Grain. So long as it remains a live possibility the threat is unlikely to have to be carried out. The firms we consulted said that they were inclined to be reasonably generous with bonus payments towards the end. The public sector has tended to be constrained partly by pay policy and partly because of the cost of setting a precedent which would be followed at other sites all over the country. But it makes a lot of sense to make realistic provision for this in the contingencies.

Technical improvements

6. Improvements have been made in other areas too. In hospital building, the 36 schemes started by DHSS between 1980 and 1983 showed an average cost overrun of only 1.7 per cent (£100,000) and a time overrun of 4.2 per cent (6 weeks) compared with averages of 11.6 per cent and 29.7 per cent for schemes prior to 1980. This is partly attributable to standardisation on the 'Nucleus' designs, and partly to the introduction of 'readiness to tender' certificate procedures. The validity of any such measures of overrun, however, depends on the stringency with which the initial estimates are set; and it was put to us by a contractor that the present targets might be 10 per cent too generous.

7. Problems arising from the use of new materials and construction techniques in the early 1970's contributed to the bad experiences of many projects dating from that period. Architects and engineers are now building more conservatively, with more concern for the life of the structure and for keeping down maintenance costs.

COST AND TIME OVERRUNS AND CONTRACT FORMS

The table attached to this Annex shows a summary analysis of the 'major projects' tables in the 1985-86 Supply Estimates. The figures for civil projects show that almost a third of them failed to be completed in the financial year intended. A sixth showed a cost overrun of at least 10 per cent in real terms.

2. But not all these cost and time overruns were culpable. In our worse-than-average sample we found that perhaps a quarter of the real terms overruns were due to mistakes. The rest were a natural consequence of the way in which the contracts were drawn. There is always risk in these big contracts, which is why firm prices are not obtainable on them. Normal contract conditions provide that if unforeseen problems are encountered extra time and money may be allocated. Contractors would not undertake them on any other terms. There is no cause for complaint if the provisions of the contract are simply being applied. The important thing is to choose the right sort of contract in each case in relation to the character of the project.

3. This annex gives a brief description of some of the main categories of contract employed in government work. The fundamental need is that those concerned with preparing projects together with the project managers should understand the type of contract appropriate to particular circumstances. Above all they should bear in mind the importance of insisting on realistic estimates and good cost control, even in circumstances when in practice an individual contract may have to allow some flexibility. **The need for flexibility should not be allowed to provide an excuse for slack cost control.**

Firm Price Contracts

4. Under a firm price contract, the contractor undertakes on the basis of a competitive tender to meet the client's requirement at the tendered price. Departments are now once again seeking firm price contracts over two years. To the Department, this minimises the risk of cost overruns. But contractors' tender prices will contain contingency or insurance allowances to cover the inevitable commercial risks to them, which the Department pays whether or not the risk materialises. This form of contract requires a very detailed and firm

specification from the outset. Changes to the specification will almost certainly result in claims from the contractor for delays or disruptions. Even in a firm price contract unforeseen ground conditions will lead to claims.

Fixed Price Plus Variations Contracts

5. Commonly referred to as 'fixed price' contracts, these are not fixed price in the normal sense. This is the conventional contract form for construction work, of which there are several variants in use.

6. Under this type of contract the contractor undertakes, usually on the basis of a competitive tender, to meet the requirement at the tendered price plus additional sums eg for variations in material and labour costs and quantities during the project. The main component costs (eg £ per tonne or £ per hour) are usually fixed in relation to a bill of quantities at the tender stage. No allowance is made for inflation. This form of contract reduces the risk to the contractor as against a firm price contract. In fixed price, as in firm price, contracts changes in the requirement usually result in post-contract claims. Liquidated damages provisions provide the incentive to complete on time, and variation of price is not payable in the overrun period.

Management Contracts

7. Under a management contract, the Department engages a management contractor to control the project. The Management contractor is responsible to the department for planning and scheduling the work, engaging contractors for elements of the project and for monitoring and controlling progress. In some large building contracts, such as hospitals and the International Conference Centre, the management contract enables construction to begin before the design is finalised. The management contractor will let contract packages as elements of the overall design become firm during construction. The management contract enables the Department to develop the specification as the construction proceeds without incurring claims. The management contractor acting as an agent for the Department takes very little risk other than that of potentially failing to be invited to tender for further business. Nonetheless, the management contracting approach can be a useful one for departments in enabling them to

secure expert managerial resources where large and complex projects cannot be fully pre-planned and where the subsequent programming of the work of several sub-contractors is critical.

Cost-plus Contracts or Reimbursement Contracts

8. Under cost-plus contracts, the contractor undertakes to meet the requirement as specified and subsequently amended, charging his actual cost plus overheads and profit to the department. Alternatively, the contractor may be reimbursed actual costs plus a predetermined management fee. The management fee may be a fixed sum or a percentage of the actual costs of the work. The cost plus contract is generally most appropriate for equipment development projects. It also has advantages in containing costs in circumstances in which only one contractor could undertake the required work. The Department, however, needs to invest considerable effort in monitoring and controlling the costs actually incurred by the contractor on the project. The Department needs also carefully to assess the progress being made towards the project objectives: if possible incentive arrangements should be built into the contract. The contractor takes very little risk in a pure cost-plus contract, which is really a last resort when the client does not know exactly where he is heading.

9. Projects often consist of a number of concurrent and/or consecutive contracts which may be of different types. For example, in a long-term development contract it may be to the Department's advantage to let the research and design work on a cost-plus or reimbursable basis, the initial development work on a fixed-price basis and the production work on a firm price basis. In this way, as the level of unforeseeable risk reduces during the project, more of the management risk can be placed on the contractor.

The balance of risk in contracts

10. As noted in para 4 above, it is not a straightforward matter to determine how much risk the Government as client should ask the contractor to bear. The Government normally finds it cheaper to shoulder risks itself than to pay for insurance. It is not easy to ascertain how much the government is paying for the policy of asking contractors to bid firm prices for 2-year contracts and in some cases to carry the risk of variations in material prices.

11. The study team believes that there should continue to be a strong presumption in favour of firm prices. Firm prices are undoubtedly best as a way of putting downward pressure on sub-contractors' and suppliers' prices. And if one can obtain firm prices it changes the whole spirit in which the contractor approaches the project. The MOD (PE) are finding it possible and valuable now to go for firm prices in many contract situations where previously cost-plus would have been normal. In fact in the past 18 months only 7 per cent by value of defence equipment contracts have been cost-plus.

12. Nevertheless if the risks on a firm price contract are large in relation to the capital base and the profit margins of the contractor there is a danger that he is either not going to tender at all, or will tender on a 'worst-case' basis. Either way the Government as client will end up paying too much. Contractors put it to us that fixed prices are alright while inflation is steady, but if there were any sign of it taking off again - or even a pre-election fear that it might take off - they would be bound to cover themselves.

Conclusion

13. This is a subject which has been examined extensively in the past. There are clearly factors which pull in both directions. It seems to the team that the best way to handle this may be for Departments in difficult cases to ask contractors to quote both for a firm price and for a normal fixed price contract. This would require more work on both sides (which would be unwelcome), but the Department could then compare the bids on the basis of the Treasury assumptions in force at the time. There should, however, still be a preference for the firm price contract.

MAJOR LONGTERM CAPITAL PROJECTS
FROM SUPPLY ESTIMATES 1985-86 (and elsewhere)

MAJOR AND MINOR
PROJECTS

	Number of Projects	Not completed in year expected		Costs Exceeding Original Estimate by 10% or more		Cost of these Projects		Estimated Expenditure in 1985-86 £m
		Number	% of Total	Number	% of Total	Original Estimate £m	Latest Estimate £m	
Roads and Bridges	92	15	16%	18	20%	1,421	1,460	738
Hospitals	88	24	27%	11	12%	1,271	1,319	993
Other Civil Projects	273	101	37%	53	19%	2,089	2,208	660
Defence Buildings and Establishments	34	4	12%	4	12%	582	610	790
	<hr/> 487 <hr/>	<hr/> 144 <hr/>	<hr/> 30% <hr/>	<hr/> 86 <hr/>	<hr/> 18% <hr/>	<hr/> 5,363 <hr/>	<hr/> 5,597 <hr/>	<hr/> 3,181 <hr/>

THE NOTES ON THE PAGE ATTACHED FORM PART OF THIS REPORT

NOTES TO THE TABLE TO ANNEX 3

1. The figures shown are from the Supply Estimates 1985-86 except for Defence spending on major building projects where a 1984 statement prepared for the PAC has been used.

2. Values are stated at 1985-86 prices except for Defence spending on major projects where November 1984 prices are shown.

3. The threshold for major long term contracts ranges from £25 million for roads in England down to £.25 million for administrative buildings in Northern Ireland. £1.5 million is the mode.

4. The number of cost overruns is probably understated due to apparent inconsistencies in the Supply Estimates when Original Estimates of Cost are revalued from one year's prices to the next. An example is Huntercombe Prison Redevelopment which was shown as £6.7 million at 1984-85 prices but as £8.0 million at 1985-86 prices. This is an increase of 19%. It appears to exceed a reasonable price adjustment for inflation. Two further examples are at East Anglia and Glasgow Universities which show increases of 27% and 22% when restated from 1984-85 prices into prices for the Supply Estimates 1985-86.

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FINDINGS: THE PRIME MINISTER'S FIVE POINTS

The team's findings in regard to the particular points which the Prime Minister asked the Unit to examine are as follows:

1. Thinking the design problems through: This is crucial, and it does not always happen. Sometimes (regularly in the case of defence equipment, by the very nature of a development contract) it is inescapable that work has to start before the design is complete. But too often, as with Broadmoor (Stage 1), OPCON Northwood and the Blood Products Laboratory, contractors are allowed on site while the plans are still in preparation.

Projects need to be tightly defined from the outset. Even when, as in these cases, the requirement is seen to be urgent firms emphasised that time and money spent on detailed planning, soil surveys, cost analysis and critical path preparation can be recouped several times over once construction starts. When a 'fast track' approach is essential it is important to plan the contract strategy so as to minimise risks - see Annex 3.

Tightening the 'approval in principle' stage and appointing a competent project manager who carries real responsibility for cost and time performance is the best way of responding to these problems.

2. Putting out as much as possible to competition: Competitive tender is normal for construction contracts, and in the equipment field considerable progress is being made in extending the scope of competition. The need is to make sure that the competition is real and effective, and then to handle it critically and follow up with post-tender negotiation.

It is not always easy to get enough tenders, especially if there is

an inhibition on going abroad. For some projects eligible firms are limited enough in number to make anti-competitive practices feasible - as with the original tenders for Kessock Bridge.

There is a conflict between the need to ensure that only experienced, capable contractors are selected and the desirability of widening the field of choice. Choosing an inadequate main contractor, as at Barrow in Furness Hospital, is the greater danger: firms told us that they always played safe and employed blue-chip contractors, placing technical assessment of the firm and the personnel on offer above the price. If there is inadequate competition that may be a reason for stopping and thinking again about the specification, or the timing.

A project manager clearly held responsible for overruns will have a strong incentive for ensuring that effective use is made of competitive tendering for the main project and for following it through into the sub-contracts.

3. Balancing capital cost against maintenance costs: mistakes have been made in the past, but nowadays architects and engineers are very conscious of the need to minimise maintenance costs. Running costs as a whole are often now the decisive constraint on designs.

Many of the early motorways have needed excessive maintenance, mainly because they had to cope with heavier than expected traffic. The specification has recently been increased to give them a much longer maintenance-free life. But the rate of discount which is used in making judgements about the balance - 7 per cent real in the case of roads - still seems too high: future costs may be being discounted too heavily. Other problems requiring excessive maintenance, and in some cases early repair, arose from the use of novel materials and techniques with inadequate safety-margins in the 1960's and early 1970's, as noted in Annex 2.

Clear ownership of both capital cost and maintenance costs by the Department will give them the incentive for getting the balance right; and a clearly stated justification for the capital expenditure will provide a basis for probing the thought that has been given to subsequent maintenance.

4. Over-specification: Over-specification can mean three things:

- (i) too ambitious a specification;
- (ii) too elaborate a specification: "gold-plating"; or
- (iii) giving too much detail to the contractor and so preventing him from contributing his own ideas about how to tackle the project cost effectively.

The team found examples of all of these:

- (i) sometimes highly ambitious requirements are set deliberately, as with the Foxhunter Radar, where there was an overriding need to maximise performance. Even in defence equipment the inflexible pursuit of an arbitrary target without regard for cost can be very wasteful, as in the case of the SP70 howitzer.
- (ii) over-elaboration is a matter of judgement, but the National Theatre and Wellington Barracks seemed to come into this category. The Courts buildings, too, have very complex requirements, and the team wondered whether firmer discipline might not have simplified some of these, instead of trying to satisfy all the various customers completely.
- (iii) on the level of detail, it is important that all relevant points are properly covered in the specification. But it should not go beyond what is necessary, since this inhibits contractors' ability to put forward proposals meeting the requirements in the most effective way. Contractors told us that they believed that they could often save substantial sums if they were allowed to offer alternative solutions when tenders were invited. Tenders which are not on a uniform basis are more difficult to evaluate and compare, but it may well be worth the effort. The Treasury guidelines call on purchasers to specify requirements in performance terms rather than detailed designs which take no account of other applications. It is also the approach of MOD's cardinal point specification, and accords with the Electricity Supply Industry's use of performance specification.

Again, a project manager who is clearly responsible for costs and needs to maximise the contribution from contractors can be a powerful force towards avoiding over-specification.

5. Responsibility for cost-control: This is the key point which goes to the heart of the matter. Government is too often seen by contractors and their workers as a soft touch.

Good practice in the private sector is outlined in Annex 6 below. There are not many parts of the public sector where an equivalent discipline is being exercised. Similar procedures may exist on paper, but there is little sense that officials will be held to blame if costs are allowed to overrun. Relationships among officials and between officials, consultants and contractors have tended to be too cosy. Project managers are rarely in the position to say with authority that the design must now be frozen and all but the most essential variations resisted.

The essential requirement for cost control is to have a firm cost forecast based on clearly stated assumptions against which variations can be tested.

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PROJECT APPROVAL

Firms in the private sector tend to put significantly more effort than government into the early approval stages of a major construction or engineering project (roads and defence equipment are exceptions here). Firms typically spend 1 to 2 per cent of the total eventual cost of a project on pre-feasibility studies and 3 to 5 per cent on detailed planning (sometimes much more) before a final decision to go ahead.

2. BP, for example, have a 3-phase approval process, successively fining down the margin of possible error:

Stage 1: at which feasibility studies have been completed and the scope of the project has been developed. After inclusion of a contingency factor, the probable margin of error could be as high as 50%.

Stage 2: at which the design has progressed considerably and the construction strategy has been established. After contingencies the probable margin of error is reduced to 30%.

Stage 3: by which the detailed engineering plan is complete, procurement is at an advanced stage, and the contractors' bids will have been evaluated. After contingencies the probable margin of error should not exceed 15%.

Approval is by an impartial Planning and Control Committee, quite separate from the operating division sponsoring the project.

3. This amount of attention to pre-planning and appraisal, implying a willingness to write off substantial amounts of abortive expenditure, is rare in government. Projects develop great momentum within Departments. If there needs to be an independent, outside check it has to come, within government, from the Treasury. It is an important role which does not in any way detract from the spending Department's value-for-money responsibility.

4. The Treasury needs to strengthen its ability to provide this control, taking advantage of outside advice wherever possible. The firms stressed that the controllers at Head Office needed to include people with project management experience, and the Treasury should perhaps aim to include such expertise among its specialist staff.

5. Conventional wisdom has relied on the use of 'break points' at which expenditure above a certain tolerance would trigger radical review of the project. The team saw no evidence that break-points were useful, except as a way of dividing a complex project up into manageable phases. The serious criticism has got to be done at the 'approval in principle' stage: after that it is to all intents and purposes too late.

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Annex 6

FINANCIAL CONTROL

Once the project has been approved it needs to be subject to a firm financial discipline. In the private sector there is normally (as described in Annex 7) an individual project manager of relatively high status and authority, according to the size of the project, who takes personal responsibility for the budget allocated to it. The Board holds back a margin for contingencies and makes it positively difficult for the manager to draw on it. He in turn holds back a margin from the contractors and exercises the same discipline. Payments are at all stages tied to clear milestones of physical progress.

2. Some firms set budgets for projects in cash terms, others in constant prices. Cash was normal in projects running 2 or 3 years forward, and in one case we found a 4-year cash envelope. MOD (PE) are seeking to adopt a similar approach and introduce a firm cash envelope as soon as the end of a project is in sight, so that there is at least a discipline on its final stages.

Government accounting

3. It is often said that the Government's financial control procedures have a bad effect on capital projects. Contractors complained to the team about the cyclical pattern of letting road contracts, but apart from that there was no evidence that annuality is a serious problem. The fact that government figures have to be published is however a hindrance in exercising the sort of control mentioned above. Departments need to use for control purposes estimates of what a project is really expected to cost.

4. Parliamentary accountability was mentioned as a burden on project management: especially when things are going wrong it can be a distraction when management can least afford it. But it is a second-order problem.

Date recording

5. Most Departments now have good systems for recording data on the financial and physical progress of projects. There is a need, however, to continue to collect data on maintenance costs through the life of the project as a check on the specification and the quality of the product. This is not widely done at present.

PROJECT MANAGEMENT

RTZ told us that they "cheerfully over-managed projects". Government, by comparison, under-manages them. There are wide generalisations in what follows, but it is important to bring out the difference of approach.

2. In PSA, MOD, DTp and the Regional Health Authorities the Project Manager is typically a PPTO at about £15,000 a year. He may be a grade higher in MOD or for a specially demanding civil project: he may be a grade lower.

3. Private firms will generally pay more - up to twice as much - to the manager of a comparable project, but will give him greater responsibility. A government project manager may have half a dozen substantial projects in his care at any one time. His private sector counterpart will be paid more for looking after one. The point is not one about pay comparisons: it reflects a radically different responsibility structure.

4. The government project manager has a back-up of senior officers, contracts experts etc. But his position in relation to the contractors and consultants on-site is completely different. For a start, he is not on site much of the time, being based in headquarters or a regional office. The private sector project manager is giving it his undivided attention, and usually, if it is a large project, that of a sizeable team of professionals.

5. The structure depends, on the size of the project. Small projects may be handled by people in normal line manager positions, while at the other extreme giant projects require the full-time attention of a big, multi-disciplinary team. In between, the firm may dedicate only the team-leader exclusively to the project, but let him draw on other resources through a management matrix. The point is that, **case for case, the private sector management effort is significantly greater.**

COMMERCIAL IN CONFIDENCE

6. The government project manager is therefore often too dependent on the consultant architect or engineer who is managing the project for him. Indeed "project manager" is a misnomer. Firms tend to speak of the person in that position as "project director" or head of the "owner's team". The people managing the project will almost always be the consultants or the main contractor. But they need to be controlled by a strong and expert team exclusively representative of the owner's interest. Some of the confusion about the project manager's role in government may stem from the use of that misleading title.

7. It is essential that the project manager should be on top of the data on physical and financial progress and be in a position to document what is happening and settle claims as they arise. If he is out of touch and the documentation is poor claims can rapidly become a nightmare, where the client is entirely in the hands of the consultant as to how they should be settled - see note 11. There can be millions of pounds at stake on the arbitration, as with Barrow-in-Furness Hospital. There is no need to get into this position if the right management effort is made while the project is proceeding.

8. There is a suspicion among clients nowadays that some contractors may be under-bidding to get contracts and relying on claims to recoup. It is more than ever essential to keep a tight grip on variations in this situation and to minimise the scope for claims.

The role of the consultant

9. Private firms told us that they would not put themselves in the hands of consultants in the way Government does. If they hired consultants they would insist that they identified wholly with their own interests and negotiated with the contractor from that position.

10. A number of the problems the team found in the management of contracts related to the role of consultants:

1. Consultants need to be vetted as carefully as contractors. Departments need to keep the vetting system simple, and pool their information. They also need, as the PAC has said, to be ready to sue the consultants if they make mistakes. That

COMMERCIAL IN CONFIDENCE

comes back to keeping abreast of developments in detail, so as to be in a position to challenge them in court if necessary.

2. Firms told us that there was a particular danger in allowing the consultants to approve the choice of sub-contractors. A great deal of cosiness can creep in unless the main contractor is forced to require competition for all the major sub-contracts.
3. The traditional role of the consultant in this country is that he is both the agent for the client and an impartial, professional arbiter, awarding the contractor extra time and money when he encounters unforeseen difficulties. This seems wrong in principle. However, DTp's current sensible proposal to charge and clarify responsibilities will be strenuously resisted by the professions and will be unwelcome, significantly, to the contractors too.

Professional management

11. Government does not have to go down the private sector road and employ high-powered people of its own as project managers - though it could do this, taking them on short-term contracts. Firms are prepared to step in and take the client's role in relation to consultants and contractors. One firm said that they thought that in return for management fees of 2 or 3 per cent 10 to 20 per cent could often be shaved off the price of government contracts through a tougher and more professional approach to sub-contracting.

PROJECT MANAGERS IN GOVERNMENT

The position of the Government as owner needs to be strengthened. Within the existing government structure the team recommends:

1. making sure that project managers have relevant experience and training; and not running down further the Government's stock of people with worthwhile project management experience. There is plenty of use to be made of them whatever approach is adopted to contract management;
2. identifying them with one major project at a time (even if they still have other minor concurrent responsibilities) and in the case of a select few particularly demanding projects giving them a responsibility allowance for its duration. The possibility of merit bonuses should be directly associated with the success of the project;
3. not economising unduly on the administrative cost of involvement in the project, such as travel and subsistence. In the case of one £40m project which was going seriously wrong while being managed from 200 miles away we were told that the Department "considered the possibility of detached duty terms but decided that they could not be justified".

2. These recommendations may appear unwelcome in the context of the current emphasis on running costs control. But the additional expenditure envisaged is minimal, and the testimony from the private sector is that saving money on management to this degree is a false economy, especially in the case of the largest and most complex projects.

3. Project management requires tireless attention to detail and therefore tends to be seen as a routine and unrewarding job. The team believes that it would be worth giving it a higher status as a way of securing the energy and commitment which the task demands.

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Annex 9

THE PSA AND ITS CLIENTS

PSA does use its expertise to challenge client Departments over value for money issues at the project definition and design stages. But it needs to work more closely with the Treasury to ensure that the designs which it is left to execute are as simple, practical and economical as possible. It also needs to back up its own project managers more firmly in resisting modifications.

2. At present PSA has a split role: on the one hand it is acting for its client Departments, taking responsibility for projects on their behalf; on the other it is the expert Department able to advise and challenge them on value-for-money. This relationship does not work badly in practice.

3. But the team believes that in the long run client Departments should take full responsibility and "ownership" of their projects. The advice of PSA, as experts, should be equally available (alongside outside sources of advice) to the client Department and to the Treasury, who should challenge as necessary on the basis of it. The function of initiating the challenge seems bound to move away from the PSA on this scenario, and to come to rest with the Treasury. The shift to Departmental 'ownership' will need to be gradual, as Departments will first need to build up their own management capability. There will obviously be staffing implications on both sides.

4. The shift should be reflected in the financial arrangements. At present most of the civil projects appear on the PSA's Vote, and the resource costs (ie administrative costs and consultant' fees) of managing them are PSA's PES responsibility too. All these costs should come out of the client Department's PES allocation; and when Departments are ready in managerial terms they should take over vote responsibility too for most of the specialised projects at present being executed for them by PSA.

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COMMERCIAL IN CONFIDENCE

CONDUCT OF THE STUDY

The terms of reference were set out in Mr Turnbull's minute of 23 April to Sir Robin Ibbs. The Team was asked to report by the end of June.

2. This was not a scrutiny, nor an audit of the projects examined. It was a preliminary survey of the subject to see whether a full scale scrutiny would be justified and if so what should be its scope and focus.

3. The team comprised Kit Chivers of the Efficiency Unit and David Burford and Rob Wright of the Cabinet Office (MPO)'s Management and Efficiency Division. In all they spent 540 man hours on the study at a cost of £10,700. The cost to other Departments of supplying information to the Team seems likely to have been rather greater. The cost to firms of the time they freely gave will have been around £1000.

4. They studied 30 major projects and talked to those responsible for managing them. But in the time available they could not also meet contractors, workers and users, as would have been essential for a proper scrutiny. The sample was not random, and no statistically valid conclusions could be drawn from it. The projects merely served to illustrate the general management issues which the team wanted to explore.

5. The Team also discussed with representatives of seven leading members of the Major Projects Association: Balfour Beatty Limited, ICI Limited, Ove Arup & Partners, RTZ Corporation, Tarmac Limited, Willis Faber Construction Limited and the CEGB. Mr Michael Willacy of Shell (UK), the Head-designate of the Central Unit of Purchasing, also gave his personal advice. The Team gratefully acknowledges the help received from all of these and from the large number of officials consulted.



NBM

AT

72/7

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

11 July 1985

Dear Secretary of State

WHITE PAPER ON "LIFTING THE BURDEN" AND CIRCULAR ON DEVELOPMENT AND EMPLOYMENT

Thank you for your two letters of 9 July about the planning chapter for the White Paper on "Lifting the Burden" and our proposed circular on development and employment which is to be annexed to the White Paper.

I note that, in your proposed circular giving guidance on the way in which the development control system in Scotland can be made to operate more quickly and efficiently, you propose to reiterate the message that the planning system should not place unjustified obstacles in the way of development. Like you I should not have thought that it would be necessary to annex your circular to the White Paper, particularly as it is to be rather longer than the DOE and Welsh Office circular.

The amendments to the planning chapter which are proposed in your letter about the White Paper present no difficulties and my officials have passed that message to David Young's officials already. In particular, it has been agreed between the three sets of officials that the first 3 sentences of paragraph 3.6(ii) should read, "It is proposed to introduce a number of changes to the General Development Orders both for England and Wales and for Scotland which enable specified types of development to take place without the need to apply for planning permission. It is a useful method of deregulation within the planning system. Important changes of this kind were made in the Order for England and Wales in 1980 and 1981 and incorporated in the new Order for Scotland in 1981; and the Government is introducing this month amendments to the two GDOs designed to facilitate modern developments in telecommunications".

I am sending copies of this letter to the Prime Minister, the Lord Chancellor, Willie Whitelaw, David Young, Norman Tebbit, Nigel Lawson, Nicholas Edwards, Tom King and Michael Jopling.

Yours sincerely
A. Davis
for

PATRICK JENKIN

Approved by the Secretary of
State and signed in his absence

GOVT MACH: Rayne. PE18



NISM NT 12/7

~~CEAO~~

Foreign and Commonwealth Office

London SW1A 2AH

From the Parliamentary Under Secretary of State's
Private Secretary

10 July 1985

Dear Private Secretary,

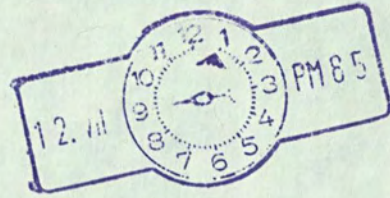
DEREGULATION WHITE PAPER: LIFTING THE BURDEN

1. Mr Renton has seen the text of the White Paper which Lord Young circulated with his minute of 5 July. Mr Renton has no comments to make on it, although I understand that FCO officials have been in touch about a few amendments of it.
2. Mr Renton has asked me to say that he would like to congratulate Lord Young on having steered the work of MISC 114 successfully to the point where the White Paper is about to be published. I am sending copies of this letter to the Private Secretaries to the Members of E(A) and of MISC 114, and to Andrew Turnbull (No 10), Joan MacNaughton (Lord President's Office), Hugh Taylor (Home Office), Steve Godber (Department of Health and Social Security), Murdo Maclean (Chief Whip's Office), Mike Norgrove (Office of the Minister of State, HM Treasury), and to Richard Hatfield and Sir Robin Ibbs (Cabinet Office).

Yours sincerely
Alistair Harrison

Alistair Harrison
Private Secretary to
Tim Renton MP

Leigh Lewis Esq
Office of the Minister without Portfolio



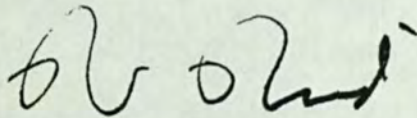
PROVIDENT

cc NO
 NBSM
 AS
 10/7

01 211 6402

The Rt Hon Lord Young of Graffham
 Minister without Portfolio
 Cabinet Office
 70 Whitehall
 LONDON
 SW1A 2AS

10 July 1985



"LIFTING THE BURDEN"

You circulated a draft White Paper under cover of your minute of 5 July to the Prime Minister.

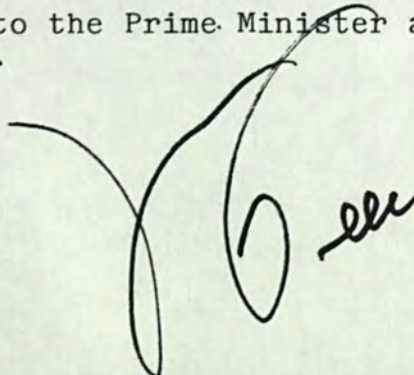
As you know from previous correspondence I have been concerned at the treatment of the building regulations in earlier drafts of this White Paper, and would have preferred all references to these provisions to be deleted. That said, I am pleased that the present draft acknowledges the role of building regulations in setting basic standards of cost-effective energy efficiency.

The last sentence of paragraph 3.21 nevertheless gives me some concern, because use of the word "minimum" conveys an impression that the current energy efficiency standards are probably excessive. I would be quite unable to accept this - the principle of cost-effectiveness would require the standards to be improved, not relaxed. I should accordingly like this sentence to be drafted more neutrally, along the lines:-

"These will be examined to ensure that the standards set are appropriate for regulations".

Subject to this amendment I am content with the draft.

I am copying this letter to the Prime Minister and the other recipients of your minute.



PETER WALKER

GOVT MACH : Rayner : PE18

CONFIDENTIAL



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

a number of MISC 114 - be
Commons.

Content subject to
two drafting suggestions?

AT
12/7

Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

10 July 1985

Dear Andrew

DE-REGULATION WHITE PAPER: LIFTING THE BURDEN

File with AT

Further to your letter of 8 July recording the Prime Minister's agreement to publication of the above White Paper on 16 July, I now attach a draft of the statement which Lord Young will make in introducing the White Paper in the House of Lords on that day. The statement is to be repeated in the House of Commons by the Minister of State, Treasury. I would be grateful to receive any comments on the draft statement by noon on Friday 12 July.

Mr Whitney's
now
proposed

I am sending copies of this letter to the Private Secretaries to the Members of E(A) and of Misc 114, and to Joan MacNaughton (Lord President's Office), Peter Ricketts (Foreign and Commonwealth Office), Hugh Taylor (Home Office), Steve Godber (Department of Health and Social Security), Murdo Maclean (Chief Whip's Office - House of Commons) David Beamish (Chief Whip's Office - House of Lords) Mike Norgrove (Office of the Minister of State, HM Treasury), Richard Hatfield and Sir Robin Ibbs (Cabinet Office) and Bernard Ingham (No 10).

Yours ever

Leigh

Leigh Lewis
Principal Private Secretary

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reflects the widespread representations on the report which the Government has received.

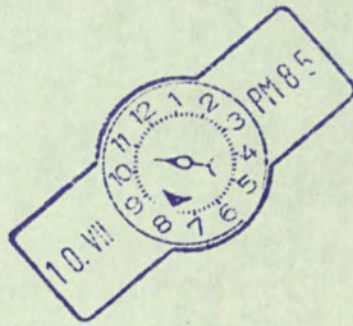
5. The White Paper is the first major step in a continuing programme of removing unnecessary regulations. It refers to a wide range of initiatives - some of which have already been undertaken, and some of which are for the future. Each is designed to allow firms to divert scarce resources away from complying with bureaucratic requirements and towards developing and expanding their business.

6. My Lords, this is but the beginning of the process, for the most important element in the White Paper is the setting up of a new system within Government, to assess proposed and existing regulations from the point of view of the burden they may impose on business. The primary responsibility for this must be within the appropriate Department but a Central Task Force is being set up, within the Enterprise Unit in the Cabinet Office, to work alongside Departments ^{carrying} ~~to carry~~ out these compliance cost reviews.

To make it clearer
Depts carry out reviews
and Task Force
works alongside.

7. I should emphasise to your Lordships' House that we are not seeking to remove all regulations. Essential protection for workers, consumers and the general public must be maintained. And we must protect our quality of life. The Government have sought to strike the right balance between liberty and license. The White Paper adopts a balanced approach. It represents a major step forward in giving businesses the freedom

to flourish and grow. I commend it to your Lordships'
attention.





NBSPM AT 10/7 CCMO
DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

The Rt Hon Lord Young of Graffham
Minister Without Portfolio
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

R/PSO/9920/85

10 July 1985

Dear David

"LIFTING THE BURDEN"

Your minute of 5 July to the Prime Minister sought clearance of the text of the revised version of the White Paper.

I have several alterations I would like to see made as follows:

Paragraph 5.21

It would be more accurate if the end of the last sentence were amended to read "...welcome proposals by the Civil Aviation Authority to introduce a large measure of deregulation into domestic air services."

Paragraph 5.22

In line 6 on the second page there is a reference to traffic between the UK and Holland. This is a mistake; it should read "London and Amsterdam". Also at the end of the following line I would prefer you to use "liberalisation" rather than "deregulation".

Paragraph 5.26

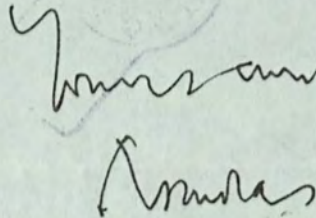
The sentence "It is also seeking to improve the efficiency of lights services" (lines 7 and 8) is somewhat truncated. I suggest it is replaced by "It is also seeking to improve the efficiency of lighthouse services and thus reduce the burden of light dues paid by shipping using UK ports."

Paragraph 20

Finally a very small correction - the last word should read "services".

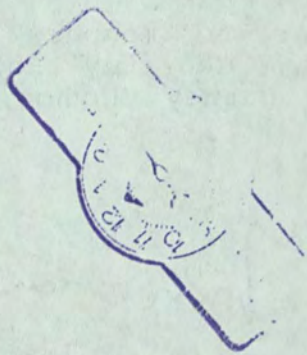
I very much hope you will be able to incorporate these alterations in the final text.

I am copying this letter to members of E(A), members of MISC 114; Willie Whitelaw, Geoffrey Howe, Leon Brittan, Norman Fowler, John Wakeham, Barney Hayhoe, Sir Robin Ibbs, and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Nicholas Ridley', is written over a faint circular stamp. The signature is written in a cursive style.

NICHOLAS RIDLEY

GOVT MACH: Rayne: Pe18



CONFIDENTIAL



QUEEN ANNE'S GATE LONDON SW1H 9AT

10 July 1985

Dear Lord Young

"LIFTING THE BURDEN"

You sent me a copy of the revised version of the White Paper under cover of your minute of 5 July to the Prime Minister.

I am generally content with the text of the document, as it affects the Home Office, except that, in the light of the agreement reached with colleagues that the consultative document on the review of the Fire Precautions Act 1971 should be published before the summer Recess, I think that paragraph 5.34 can be strengthened along the following lines: "The Government will shortly be publishing a consultative document on a new system of control to replace.....". A consequential amendment can be made in Chapter II.

There is one other matter which is causing me concern, and this relates to the scope of the central arrangement proposed in Chapter VIII. As you know, at our recent meeting with the Prime Minister it was agreed that regulations concerned with the maintenance of law and order and the safety and protection of the public should be excluded from the scope of the Central Unit's work. This conclusion was recorded in the Private Secretary's letter of 1 July. However, although paragraph 8.6 of the revised version of the White Paper now refers to law and order and the safety and protection of the public, it does not seem to me quite to reflect the conclusions of the meeting. I should like to suggest, therefore, that you delete the final two sentences of paragraph 8.6 and substitute:

"Nor will it be concerned with policy decisions in the areas of law and order and of the safety and protection of the public. While the Unit will be concerned with the implications for business of the administration and implementation of policies in these areas, determination of the policy issues and their regulatory consequences will remain the prerogative of Departmental Ministers."

I am copying this letter to members of E(A); members of MISC 114; Willie Whitelaw, Geoffrey Howe, Norman Fowler, John Wakeham, Barney Hayhoe, Sir Robin Ibbes and Sir Robert Armstrong.

*Yours sincerely -
William Littall.*

Approved by the Home Secretary
and signed in his absence

The Lord Young of Graffham

CONFIDENTIAL

GOVT MACH: Raynu: PE18





NDP
~~CONFIDENTIAL~~ AT

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

9 July 1985

Dear Lord Young

"LIFTING THE BURDEN"

File with AT

Thank you for the copy of your minute of 5 July to the Prime Minister and the enclosed copy of the latest draft of the White Paper, "Lifting the Burden".

I have a considerable number of detailed changes to the text: they are set out in the enclosed note. Your staff will be sent separately a copy of the latest draft with these changes shown in manuscript.

In addition I have three other points:

- (1) I am content with the shortened reference in paragraph 3.17 of the draft to the deregulation of new lettings in the private sector. I agree that the White Paper would be incomplete without some mention of the subject, but legislation is some way off and there is nothing which we can add at this stage to what I said in the House on 12 June.
- (2) I am concerned that as drafted paragraph 7.6 and 7.7 will be a further and in this case unnecessary irritant in our relations with local authorities. A revised draft is included in the enclosed note.
- (3) Peter Walker copied to me his letter to you dated 1 July about the reference to energy conservation in the draft White Paper. The next stage of our review of the building regulations should include a review of all the regulations including those on energy conservation regulations but I agree that the requirements on energy conservation have a different basis from the other regulations, which are concerned with health and safety. This distinction should be reflected in the draft and I am content with the amendment you have included in paragraph 3.21 of the draft circulated on 5 July.

Copies of this letter are being sent to members of E(A); members of MISC 114; Willie Whitelaw, Geoffrey Howe, Leon Brittan, Norman Fowler, John Wakeham, Sir Robin Ibbs and Sir Robert Armstrong.

Yours sincerely
for A. Davis

PATRICK JENKIN

Approved by the Secretary of State
and signed in his absence

The Lord Young

WHITE PAPER, " LIFTING THE BURDEN"

CORRECTION TO REFERENCES TO DOE MATTERS IN DRAFT OF 5 JULY 1985

Summary of Proposals

Side headings have been omitted. After the side heading "ENVIRONMENT", insert "Planning"; after the ninth indent insert "Environmental Control"; after the tenth indent insert "Building Regulations."

First indent: to read "Giving strong guidance to local planning authorities on "Development and Employment": paragraph 00."

Third indent: after "from" insert "specific" (this is because the General Development Order confers general planning permission rather than exempting development from planning permission).

Fourth indent: to read, "Reviewing the Use Classes Order: Paragraph 00."

Sixth indent: after "Act" insert "1971".

Eighth indent: delete "next month" and insert "shortly in draft" (we must consult the local authority associations about the draft of this booklet and this has been the subject of some misunderstanding already. It will not be possible to publish it finally before 1 November; we may be able to publish drafts for consultation this month.)

Eleventh indent: after "decisions", insert "on statutory nuisance".

Twelfth indent: after "simplifified", insert "building".

Chapter 3

Paragraph 3.6(iv), line 4: delete "that warrants review" (for consistency with text of statement on tourism).

Paragraph 3.6(v) line 6: delete "cases" and insert "appeals".

Paragraph 3.6(vi), lines 2-3: delete "conduct and insert "pre-inquiry stages" and delete ", including provision for the pre-inquiry stages".

Paragraph 3.6(vi), line 10: after "last year" insert "in England and Wales": delete "41" and insert "43"; delete "nearly" and insert "more than". Line 12; delete "20" and insert "21".

Paragraph 3.6(vii), lines 9 and 10: delete "is clearly ancillary to its main use" and insert "does not change the overall character of its use".

The paragraphs numbered 3.7, 3.8 and 3.9 are in fact sub-paragraphs under 3.6(vii); therefore delete the numbers and re-number paragraph 3.10 as 3.7; re-number paragraph 3.11 as 3.8.

New paragraph 3.7, line 1: delete "All these proposals are" and insert "While many of the proposals". Line 2: delete ", while many of them".

After new paragraph 3.8 insert new paragraph 3.9 as follows:

"It is not the function of the planning system either to inhibit commercial competition or preserve existing commercial interests as such. This was made clear in relation to major retail developments in Development Control Policy Note 13 published in 1977, and that principle has recently been re-emphasised by the Secretary of State for the Environment (Official Report, 5 July 1985, col ~~277~~). The same principle applies to other types of commercial development".

Re-number paragraph 3.12 as 3.10 and succeeding paragraphs seriatim.

Paragraph 3.12, line 7: delete "is" and insert "will be". Line 9: delete "proposal to produce" and insert "possibility of producing".

Chapter 7

Paragraphs 7.6 and 7.7: delete and insert:-

Local authorities

have "7.6 Communications with business about regulations should be as clear and straightforward as possible at local as well as national level and the government believes that local authorities can help here. Local authorities rapidly expanded their services to help small firms in recent years. However under present arrangements businesses, especially small businesses, may encounter administrative difficulties in their dealings with local government. The Government therefore propose to discuss with local authorities the setting up of "One-Stop-Shops" within authorities. These are essentially single enquiry points providing information on local regulatory requirements and quick referral to the relevant department of the local authority. Such units could also be valuable in representing the interests of firms dealing with other, regulatory departments within the local authority..

"7.7 The Department of the Environment will discuss with local authorities who are already active in helping small firms how their services can be extended to a fully-fledged one-stop-shop of the kind envisaged above. It will also discuss with local authority associations how best to encourage the spread of best practice. The aim will be to improve efficiency and benefits to business without imposing additional burdens on local authorities.

Annex 1:

Third indent under General Development Order: after "warehouses" in first line delete comma.

Third main indent (Circular 22/80): delete all words and substitute with, "that planning permission should always be granted unless there are sound and clear cut reasons for refusal;"

Sixth main indent: after "stressing" insert "the" and after "planning" delete "permission" and insert "permissions".

Seventh main indent (planning appeals), third sub indent: delete "on" and insert "in".

Eighth main indent (control of advertisements): delete "advertisement" and insert "advertisements". And delete "site" and insert "sites".

Annex 2

Head this annex, "Text of a joint circular from the Department of the Environment and the Welsh Office."

Date: amend to read "16 July 1985"

Paragraph 4, line 1: after "the" insert "Town and Country Planning".

Footnote: line 2: after "in" insert "DOE"; after "16/84" insert "(Welsh Office Circulars 14/80 and 34/84)"; line 3: after "in" insert "DOE and Welsh Office"; line 4: after "Circular" insert "DOE".

Paragraph 6, line 8: after "Environment" insert "and the Welsh Office".



670
MEMORANDUM

FROM

TO

Mark Addison Esq
10 Downing Street

SUBJECT..... DATE 9 July 1985.....

MR WALKER'S MINUTE ON ACCOMMODATION

I suggest replying to Mr Walker on the
lines of the attached.

IB

IAN B BEESLEY

cc H/D

Then of on 11/7 pl.

DRAFT OF 9 JULY 1985

Private Secretary to the
Secretary of State for Energy
Thames House South
Millbank
LONDON SW1

MULTI-DEPARTMENT REVIEW OF OFFICE ACCOMMODATION MANAGEMENT

with MGA
The Prime Minister approved the report sent to her by Lord Gowrie on 20 June before she had seen your Secretary of State's minute of 3 *with MGA* July.

The Prime Minister agrees that the appointment of energy managers in departments is important and expects that departmental responses to the review will cover this point. She believes that the bilateral contacts between your department and other departments can help to ensure that action is taken. In addition, the Prime Minister has asked that the progress report to be made in a year's time should cover the appointment and work of energy managers.

I am copying this letter to the Private Secretaries to Lord Gowrie, Mr Rees, Mr Jenkin, Mr King, Mr Hayhoe, Mr Moore, Mr Butcher, Mr Spicer, Lord Elton and Lady Trumpington and also to Sir Robert Armstrong and Sir Robin Ibbs.

cc N8



NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

Minister of State

The Rt Hon Lord Young of
Graffham
Minister Without Portfolio
Cabinet Office
Whitehall
LONDON
SW1

9 July 1985

Dear David,

WHITE PAPER ON DEREGULATION

Thank you for copying to Douglas Hurd's Office the draft White Paper on Deregulation. The NIO was not a member of MISC 114 but we have been monitoring its progress through the papers with keen interest. Removing unnecessary restraints on the creation of jobs and wealth is as crucial in Northern Ireland as anywhere else. Douglas Hurd and I will be taking steps to ensure that the same general momentum and direction is achieved in Northern Ireland whilst taking account of any distinctive local circumstances.

As one would expect the draft White Paper is generally constructed on the basis of legislation and administration in Great Britain or England and Wales. There are however isolated references particularly in Chapter 1 to the United Kingdom which need to be made consistent. Because of our distinctive administrative structures, separate legislation and established policy of preserving intact the powers and interests of the Northern Ireland Assembly and a possible future devolved government the best approach is to make sure that the White Paper is written in terms of Great Britain. I attach an Annex (not necessarily exhaustive) pointing to the type of change which seems necessary.

....

In discussion on 1 July under the Prime Minister's chairmanship it was agreed that a central monitoring unit should be set up provided it did not usurp departmental responsibility for regulation. The Minister of State Treasury, will answer for the unit in the House of Commons. It follows from our general Northern Ireland stance that the scope of the proposed unit should formally be limited to Great Britain and that a separate but parallel policy and monitoring unit should be established in Northern Ireland for the Northern Ireland

/system.

system. There are a number of precedents for this in other important Government initiatives spanning departments eg: Civil Service Manpower, the Financial Management Initiative and Contracting-out. As with these other matters I am sure that Douglas Hurd would wish to ensure that there was close contact with the Whitehall arrangements and that the same general momentum and direction was being maintained in Northern Ireland whilst taking account of any distinctive local circumstances. We would also wish to consider the need for periodic reports to colleagues on the progress of Deregulation in Northern Ireland.

I am copying this letter to Grey Gowrie, John Moore, Timothy Renton, Lord Glenarthur, Neil McFarlane, Raymond Whitney, David Trippier, Peter Bottomley and to Mr Turnbull and Mr Warry in the Prime Minister's Office.

all good will
Yours
RHB

DR RHODES BOYSON

Paragraph 1.8

It is doubtful whether the pages of legislation referred to include the so-called separate Northern Ireland statute book - ie: primary and subordinate legislation which prior to March 1972 would have been passed by Stormont, and which since then is largely contained in Orders in Council (primary legislation) or Northern Ireland statutory instruments.

Proposal:

Amend both references to the United Kingdom to "Great Britain".

Paragraph 1.19

Amend "the United Kingdom" to read "Great Britain".

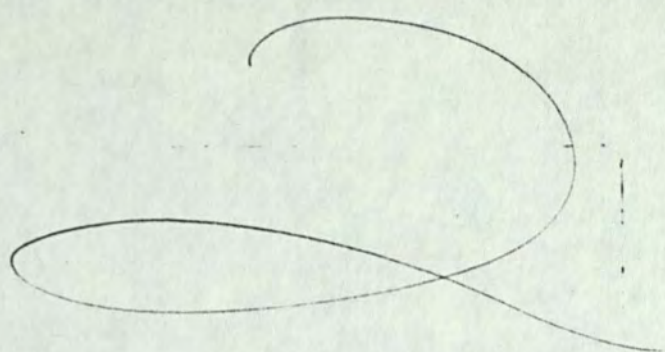
Paragraph 1.20

The reference to the United Kingdom could be retained in this context.

GOVT. MACH: Rayner: Pt 18



SM



MR. OWEN

**MULTI-DEPARTMENT REVIEW OF OFFICE ACCOMMODATION
MANAGEMENT**

The Prime Minister has now approved Lord Gowrie's proposals for handling this review.

The attached minute from Peter Walker arrived too late for submission to the Prime Minister with Lord Gowrie's minute. Ian Beesley will be offering advice shortly, and I should also be grateful for any comments you might wish to make. I doubt if we should suggest to the Prime Minister that action on the accommodation review is the right way to handle Peter Walker's proposals.

(Mark Addison)

9 July 1985



CONFIDENTIAL

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

NBM
AT 10/17
CEAD

NEW ST. ANDREW'S HOUSE
ST. JAMES CENTRE
EDINBURGH EH1 3SX

9 July 1985

Dear Patrick,

DEREGULATION WHITE PAPER

Thank you for sending me a copy of your letter of 3 July to David Young enclosing draft material on planning to be incorporated in the Deregulation White Paper.

I am generally content with the proposals set out in the chapter on planning and have no wish to disturb the agreed text. It is, I think, necessary, however, for it to be made clear that certain of the proposals extend to Scotland. To this end, I should be most grateful if you would agree to the following additions being made to the text:-

i. add at the end of paragraph 5 "The Secretary of State for Scotland is also issuing a new circular on development control priorities and procedures in which these principles will be drawn to the attention of Scottish planning authorities". My intentions on this matter are described in my letter of 9 July in response to your letter of 18 June to Nicholas Edwards.

ii. the first and third sentences of paragraph 6(ii) should be amended to make it clear that both General Development Orders are to be amended.

iii. insert after the first sentence in paragraph 6(iii) "(The review is examining the Order applying to England and Wales; the Scottish UCO is in similar terms and the Government will also consider the implications of the results of the review for the Scottish Order.)"

iv. insert after the first sentence of paragraph 6(iv) "(The equivalent Scottish regulations will be reviewed once this review has been completed)."

v. add "and the Town and Country Planning (Scotland) Act 1972" after "1971" in the second line of paragraph 6(v).

vi. insert "(Reporters in Scotland)" after "major inquiries" in the last sentence of paragraph 6(vi)

vii. insert "(regional councils in Scotland)" after "country planning authorities" in the seventh line of paragraph 12.

I am copying this letter to the Prime Minister, the Lord Chancellor, David Young, Nicholas Edwards, Norman Tebbit and Nigel Wilson.

Yours wes,

George

GOVT MACH : Raynes: Pt 18





10 DOWNING STREET

From the Private Secretary

8 July 1985

Dear Paul

MULTI-DEPARTMENT REVIEW OF OFFICE ACCOMMODATION

The Prime Minister has seen Lord Gowrie's minute of 20 June. She has welcomed the report and has agreed that action documents should be commissioned from all Government Departments within 3 months; that the Review should be published, and that Lord Gowrie should write a preface; and that MPO should co-ordinate follow-up and that a general progress report should be prepared in 12 months. The Prime Minister has also suggested that a three year implementation period should be regarded as a maximum rather than an average, and she would be grateful for a short interim statement in two years' time setting out the savings already achieved.

I am copying this to Geoff Dart (Department of Energy), John Ballard (Department of the Environment), David Normington (Department of Employment), Richard Broadbent (Chief Secretary's Office), Vivian Life (Financial Secretary's Office), Mike Norgrove (Mr. Hayhoe's Office, HM Treasury), Steven Watts (Lord Elton's Office, DOE), Chris Joyce (Baroness Trumpington's Office, DHSS), David Haldearn (Mr. Butcher's Office, DTI), Andrew Melville (Mr. Spicer's Office, Transport), Richard Hatfield (Cabinet Office) and Sir Robin Ibbs.

Zes
Mark Addison

(Mark Addison)

Paul Thomas, Esq.,
Management and Personnel Office.

BT

CONFIDENTIAL



ls
b.c.
P. WARRY

cc
LPS
FCO
HO
DHSS
CWO
MOS, HMT

Sir R. Ibbs
HMT
NIO
DN
SO
WO
DE
LPS

10 DOWNING STREET

From the Private Secretary

8 July, 1985.

DTI
CH.DUCHY
DM
MAFF
Ch.Sec. HMT
DT
PMG
F.Sec. HMT
PUSS, FCO

DEREGULATION WHITE PAPER: LIFTING THE BURDEN

The Prime Minister has seen the latest text of the White Paper which was attached to Lord Young's minute of 5 July and, subject to any points which colleagues might raise, she is content that it should be published on 16 July.

I am sending copies of this letter to the Private Secretaries to the Members of E(A) and of Misc 114, and to Joan MacNaughton (Lord President's Office), Peter Ricketts (Foreign and Commonwealth Office), Hugh Taylor (Home Office), Steve Godber (Department of Health and Social Security), Murdo Maclean (Chief Whip's Office), Mike Norgrove (Office of the Minister of State, HM Treasury), and to Richard Hatfield and Sir Robin Ibbs (Cabinet Office).

(Andrew Turnbull)

Leigh Lewis, Esq.,
Office of the Minister without Portfolio.

CONFIDENTIAL

ls



NBPM

AT

817

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref: J/PSO/15422/85

Your ref:

8 July 1985

Dear Lord Young.

DEREGULATION: BUILDING REGULATIONS

Peter Walker copied to me his letter to you dated 1 July about the reference to energy conservation in the draft White Paper.

The next stage of our review of the building regulations should include a review of all the regulations including those on energy conservation regulations but I agree that the requirements on energy conservation have a different basis from the other regulations, which are concerned with health and safety. This distinction should be reflected in the draft and I am content with the amendment you have included in paragraph 3.21 of the draft circulated on 5 July.

I am copying this letter to the Prime Minister, Peter Walker, George Younger, Nicholas Edwards, Michael Jopling, Nicholas Ridley, Douglas Hurd and Sir Robert Armstrong.

Yours sincerely

Patrick Jenkin
for
PATRICK JENKIN

*Approved by the Secretary of State
and signed in his absence.*

The Lord Young of Grafton

Rayne





CC/10

CONFIDENTIAL
COMMERCIAL IN CONFIDENCE

PRIME MINISTER

CAPITAL EXPENDITURE CONTRACTS

The minute from your Private Secretary dated 23 April asked me to examine the evidence of time and cost overruns on major capital projects and to make recommendations for tackling the problem. You asked for a report on initial work by the end of June. This is attached. I have insisted that the report itself should be kept short and concentrate on principal recommendations; all the supporting material and comments on particular aspects are in the Annexes.

Some of the overruns on time and cost arise from the inherent nature of certain projects that the Government is involved in: for these tighter control can bring some improvements but it cannot eliminate the effect of fundamental uncertainties. However, it is clear that for many projects considerable savings, of the order of perhaps £50m - £100m a year in total, should be available by tightening up some aspects of the present control arrangements. These arrangements compare unfavourably with current practice in the private sector. Although in the time available for this initial work we have only been able to make a rather coarse study based on a limited, and probably not wholly representative, sample of 30 major projects, I believe the main conclusions stand out clearly and I see little purpose in undertaking further more refined investigative work.

The three main recommendations are:

1. A much tighter control over the initiation of projects, so that they are not allowed to go ahead until they are well defined with proper forecasts of cost and time. In practice this means a much more rigorous attitude towards "approval in principle" because once there is public commitment it is very difficult to regain proper control of a project if there has been slackness at the beginning. For major projects, say £25m or more, I believe formal approval of a Treasury Minister should be required on the basis of a short written case made by a Minister of the Department concerned. This would contain cost and time forecasts against which performance would be monitored.
2. Much clearer designation of the Project Manager within the Department concerned who should be held responsible for performance against the initial forecasts and for any variations



or additions. This means giving such Project Managers greater status and authority, and it will demand greater competence on their part. In some instances it will be worth recruiting Managers from the private sector with proven ability in this work - I understand the Head of Procurement in MOD already has this in mind. In other instances it will be necessary to improve the calibre and training of civil servants who do this work. The higher cost incurred from employing better Project Managers will show a good return.

3. Redefinition of the role of PSA in construction projects. I believe that Departments must "own" the projects and that PSA should be regarded as advisers and managing agents accountable for performance against initial targets. It follows that votes should belong to Departments, with funds then transferred for spending to PSA or private managing contractors.

I believe that tightening up in these ways will help greatly in making progress on the five specific points to which you asked me to give special attention. For example, Project Managers held clearly responsible for performance against initial targets will take trouble to ensure that design problems are thought through before targets are set and that competitive tendering is used effectively. When Departments "own" both capital costs and running costs they will have an incentive to get the right balance between initial capital cost and subsequent maintenance cost. Furthermore a clearly stated financial case prior to approval will enable the Treasury to probe this aspect.

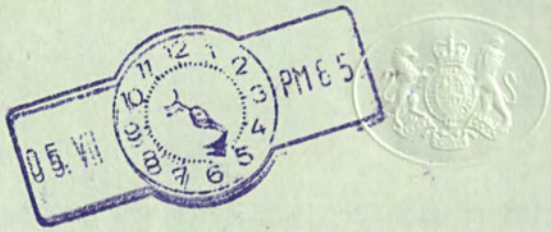
The practical problem is how to get the Whitehall machine to accept and implement these recommendations.

I suggest that as a first stage before the report is circulated generally I should have a discussion with Robert Armstrong, Peter Middleton and a few senior Permanent Secretaries before the Recess to get their advice on how best to take it forward. Thereafter I would recommend to you how the report itself should be handled and how you might formally react to it to ensure that it is acted upon promptly.

I am sending a copy of this minute to Robert Armstrong.

ROBIN IBBS

5 July 1985



Rayner: Govt. Mach. PG-17

LIFTING THE BURDEN

This is not the best White Paper ever produced, but your comments have been incorporated and the Paper now seems broadly acceptable. Points worth nothing are:

Page 3: The chart shows that the amount of legislation, particularly secondary legislation, is now increasing.

Some rooming for deregulation - this also will accompany up regulation for monopoly structure

Page 12: The consumer law proposals lock the Government firmly into introducing two new Bills.

Page 13: MAFF's proposals are weak (see also pp.47 and 69). The press may say they are "cock and bull", as virtually all MAFF are doing is abolishing the licensing of stallions and freeing the trade in cattle semen. Better to remove all mention of MAFF.

No.

Page 49: The text says the proposals "would reduce para administrative burden on the Fire Service". Our 5.34 fear is that this may be exactly what it achieves, and at the expense of an increase in burdens on the businessman.

Page 61: The central deregulation task force's remit seems para sensible, but the Home Secretary may (wrongly) want to exclude not just the policy decisions on public safety etc, but also review of the administration and implementation of such policies.

*8.6
have to be
OK as in
not*

Conclusion

Subject to the comments outlined above, we believe the White Paper should now be published.

PETER WARRY

Peter Warry

CONFIDENTIAL

PRIME MINISTER

① Content to be published on 16 July
subject to some minor polishing, as
suggested by Policy Unit?

AT
5/7

Yes - but
don't think
we can leave
MAFi: out -
altogether

"LIFTING THE BURDEN"

I now enclose a revised version of the White Paper as agreed at our meeting on Monday. I am grateful to all those - ministerial colleagues and officials - who have been involved in the extensive redrafting and polishing of the text which has taken place over the last few days so as to include the suggestions made.

There is one particular point to which I should draw attention. We agreed that the rent deregulation chapter should be dropped and that a reference should be made elsewhere to our intention to introduce legislation. I have inserted a very short passage into the planning chapter (paragraph 3.17) rather than put in the whole text previously circulated. Enterprise Unit officials have consulted those in the DOE on this but Patrick has not yet been given the chance to take a view. I am sure we need a reference to rent deregulation but I think it needs to be short. I would very much welcome your views, and those of Patrick, on this point.

I would like to publish on Tuesday 16 July, preceded by a statement in the House of Lords which would be repeated in the Commons by Barney Hayhoe. These arrangements have, of course, been cleared in accordance with normal procedure, and I hope that they meet with your approval.

I should be grateful for clearance of the enclosed text by Wednesday evening (10 July) at the latest to meet printing deadlines.

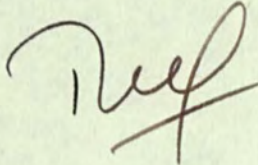
.... /Cont.

CONFIDENTIAL

CONFIDENTIAL

- 2 -

I am copying this minute to members of E(A), members of MISC 114; Willie Whitelaw, Geoffrey Howe, Leon Brittan, Norman Fowler, John Wakeham, Barney Hayhoe, Sir Robin Ibbs, and Sir Robert Armstrong.

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

DY

5 July 1985

CONFIDENTIAL

CONFIDENTIAL

LIFTING THE BURDEN

Presented to Parliament by the Minister
without Portfolio, Supported by

July 1985

LONDON
HER MAJESTY'S STATIONERY OFFICE

Cmd

CONFIDENTIAL

LIFTING THE BURDEN

- Chapter 1 Lifting the Burden
- Chapter 2 Summary of Proposals
- Chapter 3 Planning and Enterprise
- Chapter 4 Tax and Social Security
- Chapter 5 The Wider Role of Government: regulation in
the fields of - employment protection and health
and safety; trade and industry; transport; agriculture,
fisheries and food; and Home Office matters
- Chapter 6 European Deregulation
- Chapter 7 Communications with business
- Chapter 8 New Arrangements
- Annex 1 Lifting the Burden: Measures already taken
- Annex 2 "Planning and Enterprise" Circular

CONFIDENTIAL

CHAPTER 1

LIFTING THE BURDEN

1.1 There are two key elements in the Government's economic policy: to keep down inflation and offer real incentives for enterprise, in order to generate jobs. Low inflation is the very bedrock of an expanding economy but is not sufficient in itself. It is the growth of enterprise, the efforts of millions of our people engaged in the creation and development of businesses large and small that is the real driving force of the economy. This paper is about one important aspect of helping enterprise to grow - by reducing burdens imposed on business by administrative and legislative regulation.

1.2 It sets out the case for more freedom in the business sector and the need to deregulate. It reinforces the Government's commitment to reducing unnecessary constraints on the creation of jobs and wealth. It reviews what the Government has done already. It outlines the way in which a new permanent mechanism will operate - to ensure that all proposed new legislation and regulation will be examined for its impact on business and systematically to review existing rules and remove or simplify them where they impose unnecessary burdens.

1.3 But this must be done with care. The line between liberty and licence is fine and can easily be crossed. We have to bring about the conditions to promote growth but not abuse. It is on this basis that this paper is presented.

1.4 The Government want to see an economy in which firms, large and small, have the ability to expand - and thereby win extra business and create more jobs. That is now happening. Published estimates indicate that the employed labour force has increased by more than 600,000 since the Spring of 1983. New business formation and self-employment are greatly increasing. Between 1980 and 1984 the VAT register shows that 140,000 more new businesses set up than closed down. This decade has seen an increase of over half a million in the number of self-employed people to over 2½ million - the highest figure in the last 60

years. Indeed last year our economy created more jobs than the rest of Europe put together. But this is still not good enough. The Government must do all it can to accelerate the process for without healthy business, and the jobs and wealth they create, the country will simply not be able to afford the things we all desire: pensions, health services, education and all the other calls on government expenditure.

1.5 The amount of regulation which new and established firms face acts as a brake on enterprise and the wealth and job creating process. Deregulation means two things. First, freeing markets and increasing the opportunities for competition. Second, lifting administrative and legislative burdens which take time, energy and resources from fundamental business activity.

FREEING MARKETS

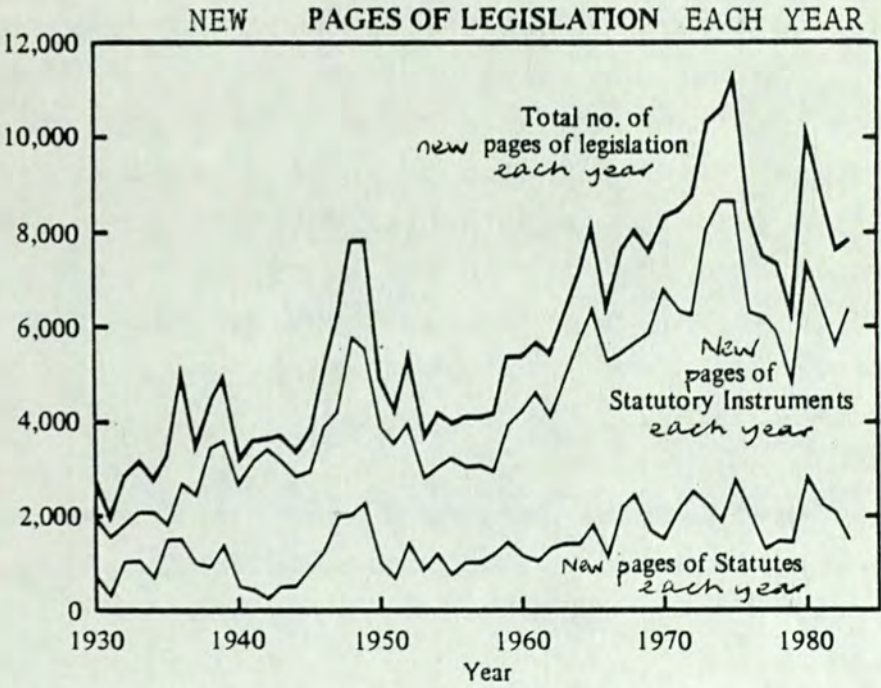
1.6 On the first, the Government have made good progress and there are more proposals in the pipeline. We have opened up long distance coach services, domestic and international air services and sale of spectacles to competition. The Government have abolished controls on foreign exchange, dividends, hire purchase and bank lending. In every case that has brought benefits in terms of more choice, better services, lower prices, greater international competitiveness, freedom from bureaucratic control and the clear potential to increase employment.

LIFTING THE BURDEN

1.7 On the second aspect of deregulation, the Government believe that despite considerable efforts to get the balance right the scales are still tipped too far against business. For the best of motives, regulations have grown over the years to a stage where many of them are too heavy a drain on our national resources. To the extent that regulations go further than necessary, they will lower profits for firms or raise prices, or both. Output and employment will tend to be lower. Regulations can also stifle competition and deter new firms from entering the market or

prevent others from expanding. Too many people in central and local government spend too much of their time regulating the activities of others. Some regulations were framed a century and more ago, have been added to or amended, and now bear little relevance to the modern business world. Other regulations are too complex and confusing even to professional advisers (and sometimes to the people who administer them, too). Many regulations are necessary and it is, of course, Government's responsibility to ensure that flexibility and freedom are not abused by those who would flout the proper interests of customers, consumers and employees. We must maintain our quality of life. But we have to strike the right balance.

1.8 This is not just a British problem. The tide of legislation has risen inexorably over the years in all countries of the western world. The United Kingdom has not been immune. The chart shows - as a rough guide - how the volume of new UK legislation being passed has grown since the 1930s.



Of course, not all of this legislation directly impinges on business. Some of the more recent legislation has been necessary in order to restore greater freedom and flexibility to citizens

and the economy - for example, enabling sales of council houses to take place, and through returning nationalised industries to the private sector. But overall there is no doubt that we suffer from the sheer weight of legislation and controls. That is why, like administrations in the U.S.A., The Netherlands and West Germany, the Government wants to stem this flow. The cumulative weight of legislation must clearly be examined rigorously to ensure that its benefits outweigh its costs. We want less - and better - regulation.

1.9 Moreover, the evidence shows that although individual regulations may themselves be minor, the cumulative effect is time-consuming and costly. In a competitive environment, businesses already have enough to do. They have to respond quickly to changing consumer needs, to plan and monitor their financial, marketing, personnel and investment activities skilfully and flexibly. The impact of regulation takes its toll in diverting precious time and energy that would be far better used in generating products, services, sales - and, in the end, jobs.

1.10 The burden is that much greater on small business where the owner/manager is wholly responsible for all aspects of the business and the people he or she employs. Every hour spent on form filling is one less hour spent on running the business. Moreover, this can put off the potential entrepreneur or drive him or her unwillingly into the 'informal economy'. It is the small and new businesses which are precisely those we need to encourage - to set up, expand and take on employees and become part of the mainstream of the economy.

1.11 Regulation also imposes burdens on the state itself through the need for the explanation and enforcement of often complex rules to businesses. A good deal of the time and energy of officials in central and local government is taken up by enforcing and applying regulation; simplification will save time, money and staff effort for government itself as well as making life more straightforward.

THE JOB TO BE DONE

1.12 The present White Paper is not the first step on the road. Deregulation has been a continuing priority of the Government since 1979 and much has already been achieved. Annex 1 lists some of the measures taken. For example, over a million fewer statistical forms are sent to businesses today compared with 1979. A central mechanism has been established to ensure that all business surveys are reviewed in detail on a regular basis and only allowed to continue if personally approved by the responsible Minister. Planning procedures have been speeded up and local authorities have been encouraged to grant permission to business development unless there are pressing reasons to the contrary. The burdens of the Employment Protection Act on business have been considerably reduced and, by taking advantage of flexibility in the European Community directives on company law, disclosure requirements on annual returns have been reduced for small firms.

1.13 The Government are now making a concerted drive to speed up this process of reviewing existing regulation and ensuring that new regulation is examined carefully for its impact on firms both large and small. We have considered carefully the work done in other countries, in particular in the U.S.A. In the first two years of President Reagan's administration, the concerted deregulation strategy which he introduced has reduced the pages of regulation in the Federal Register by one third as compared with the final two years of the previous administration. The United States Government estimate that this has produced once-off savings of \$9-11 billion and annual savings of \$6 billion in costs to government and business. They also report that the number of new businesses in deregulated industries increased faster than in the overall economy in 1982 and 1983. Definitions in the U.S. and U.K. are, of course, different but the clear indication is that deregulation stimulates economic activity. It will never be possible to prove a direct causal relationship between deregulation and job creation. But the evidence suggests that there is a link. And commonsense dictates that if unnecessary restraints are removed, then people are more likely to set up businesses or expand them.

1.14 The package of measures presented in this paper is the result of an intensive exercise within Government Departments, carried out in close consultation with business. Work in the Department of Trade & Industry had previously revealed much dissatisfaction among small businesses with the costs and complexity of regulation. This led to an inter-departmental scrutiny of administrative and legislative burdens on small businesses announced by the Prime Minister on 1st August, 1984. The report of the scrutiny 'Burdens on Business' (ISBN 0 11 513820X) was published in March 1985.

1.15 'Burdens on Business' identified options for change and was published to stimulate debate and comment. Among the key findings the report concluded that:

"Compliance with Government requirements imposes real additional costs on business, particularly on small firms and 'new starters'. They can be a barrier to market entry"

and

"Though most firms are managing to cope with the burdens, action to reduce it offers benefits for jobs and for the 'white economy'."

1.16 In a survey conducted among 200 businesses by Research Associates, as part of the 'Burdens on Business' report, 52 firms reported they had lost or not taken on an average of 6.5 employees each year over the last five years due to the inhibiting or costly effect of regulations. Some jobs were gained by some 15 firms in order to deal with regulation but the net job loss judged to have taken place in this sample of 200 firms was over two hundred. And there are 1.6 million businesses in the country.

1.17 Complementing the 'Burdens on Business' exercise, the Department of Trade & Industry conducted a survey among large firms to identify the extent to which regulation impacts on their business activities. This showed that action to reduce the burden of regulation was as relevant to larger businesses as to small.

1.18 Following publication of the 'Burdens on Business' report, the Minister without Portfolio has coordinated action with the Ministers concerned to carry forward this initiative and follow up the Department of Trade & Industry survey of large firms. The opportunity was given for outside organisations and individuals to offer their views. Many submissions have been received from individual businesses and representative organisations. They include numerous individual recommendations. But overall their message is clear. Regulation remains a major obstacle to the growth of employment and enterprise in this country. That is a message which we cannot ignore.

1.19 This White Paper is largely concerned with deregulation within the United Kingdom but there is, of course, a European dimension which is likely to become increasingly significant. The European Community (EC) imposes regulation on business and the Government are working with other Community countries towards similar reviews of existing and future burdens. Chapter 6 deals with this aspect.

1.20 In Europe there is clear recognition of a common problem and a shared resolution to take action. Within the United Kingdom there is a similarly widespread acceptance of the need to review regulations. As a result of the Government's initial review of the scope for deregulation, following up the 'Burdens on Business' Report, they have identified a number of areas where reforms should be made, covering the responsibilities of a range of Departments. Chapters 4 to 8 set out what is proposed - a series of practical, carefully thought out reforms. Some of these are major; others are not. But it is the cumulative burden of regulation - both major and minor - that saps the energy of business. It is that burden which the Government is determined to reduce - but with care and concern for all in our society.

CHAPTER TWO

SUMMARY OF PROPOSALS

What the Government are doing -

1 ENVIRONMENT

- Giving strong guidance to local authorities on "Planning and Enterprise": paragraph 00.
- Introducing Simplified Planning Zones: paragraph 00.
- Extending the General Development Order to permit more exemptions from planning permission: paragraph 00.
- Fundamentally reviewing the Use Classes Order: paragraph 00.
- Reviewing the Control of Advertisements Regulations: paragraph 00.
- Introducing various amendments to the Town and Country Planning Act, including the power to award costs against authorities or others who act unreasonably: paragraph 00.
- Improving the system of major public inquiries: paragraph 00.
- Issuing next month a new booklet for small firms explaining the planning system and giving clearer guidance on working from home: paragraph 00.
- Carrying out an efficiency review of measures to speed up written planning appeals: paragraph 00.
- Reviewing local authority practice and court decisions, with the aim of preparing guidance to local authorities and making legislative changes if appropriate: paragraph 00.
- Introducing simplified regulations, to come into force in November: paragraph 00.
- Starting a further review, to cut scope of regulations where possible: paragraph 00.

2 CUSTOMS AND EXCISE

- Negotiating with the Community to obtain increased flexibility to raise the threshold above which businesses must be registered for VAT: paragraph 00.
- Extending the option for traders to make monthly payments of VAT: paragraph 00.
- Improving the operation of VAT schemes which reduce form filling by retail businesses (known as retail schemes): paragraph 00.
- Consulting fully with businesses over simplifying records to be kept distinguishing business and personal use of motoring expenses: paragraph 00.
- Improving the relief given for VAT payments on bad debts in line with the Insolvency Bill: paragraph 00.
- Considering a system of approval for computer software packages designed to handle VAT accounts: paragraph 00.
- Reviewing procedures to speed up paperwork on VAT on imports: paragraph 00.
- Allowing approved sales invoices to be used for retail export relief instead of customs forms (subject to Community agreement): paragraph 00.

3 PAY AS YOU EARN (PAYE) AND NATIONAL INSURANCE CONTRIBUTIONS (NIC)**Employment and Self-Employment**

- Clarifying the criteria for deciding whether a person is employed or self-employed by issuing a new leaflet: paragraph 00.
- Developing closer liaison between Inland Revenue and DHSS to agree common decisions on a person's employment status: paragraph 00.
- Giving greater encouragement to the use of the arrangements by which the self-employed with low incomes are exempted from National Insurance contributions: paragraph 00.

Employers

- Consulting on the possibility of reducing the work involved in the employer's weekly or monthly Pay as You Earn calculations (through the use of "non-cumulation") and of the closer alignment of income tax and National Insurance in the Green Paper on the reform of personal taxation to be issued later this year: paragraph 00.
- Coordinating the efforts of DHSS inspectors and Inland Revenue auditors to eliminate unnecessary duplicate visits to employers: paragraph 00.
- Changing DHSS practices to cut down the enquiries to employers about National Insurance contributions: paragraph 00.
- Publishing an improved "starter pack" for employers on income tax and National Insurance: paragraph 00.

4 HEALTH AND SOCIAL SECURITYStatutory Sick Pay

- Consulting shortly on the possibility of allowing employers to opt out of the SSP scheme: paragraph 00.
- Introducing a variety of minor simplifications to legislation and procedures (subject to consultation): paragraph 00.

Industrial Injuries

- Considering using the New Earnings Survey to determine earnings levels and Special Hardship Allowance: paragraph 00.
- Simplifying and redesigning forms: paragraph 00.

Other

- Reviewing all DHSS functions affecting business, both inside and outside the scope of the Social Security reviews: paragraph 00.

5 EMPLOYMENT

Information and Advice

- Improving information and advice on employment protection and health and safety: paragraph 00.
- Using Jobcentres more widely: paragraph 00.

Employment and Protection

- Extending the qualifying period for unfair dismissal to 2 years for all businesses: paragraph 00.

Health and Safety

- Examining, in consultation with the Health and Safety Commission, the need to reactivate arrangements for systematic review of existing regulations: paragraph 00.
- Raising the threshold for the requirement to prepare written safety policies to firms of 20 employees and above: paragraph 00.
- Explaining clearly to employers that they have a right to question inspectors' decisions: paragraph 00.
- Giving specific training to Inspectors to increase awareness of small firms' interests: paragraph 00.
- Issuing national guidelines on safety inspection priorities and standards: paragraph 00.
- Assessing the impact of proposals on small businesses: paragraph 00.
- Designating one of the HSC Commissioners to represent small firms' interests: paragraph 00.
- Considering what guidance can be given on the complicated law governing "onus of proof": paragraph 00.

Other Areas

- Abolishing restrictions on women's working hours: paragraph 00.
- Considering the future of Wages Councils: paragraph 00.

6 TRADE AND INDUSTRYCompany Law

- Introducing a simplified procedure for determining new companies' accounting reference dates: paragraph 00.
- Setting up a procedure for reminding companies of their filing obligations 6 weeks beforehand: paragraph 00.
- Introducing a single requirement to replace the present variety of requirements governing the filing of returns and accounts: paragraph 00.
- Consulting on the accounting and audit requirements for small companies: paragraph 00.

Consumer Law

- Repealing the Price Marking (Bargain Offers) Order and then replacing it by a new general prohibition on false or misleading price information supported by a statutory code of practice: paragraph 00.
- Introducing a new general duty on product safety judging goods by sound modern standards of safety - then reducing and simplifying individual regulations: paragraph 00.
- Consulting on the scope for more self-certification and other simplifications in the regulation of weights and measures: paragraph 00.
- Monitoring the Consumer Credit Act 1974 taking steps to alleviate specific business difficulties: paragraph 00.

7 TRANSPORT

- Abolishing Road Service Licensing for local buses (except for the time being in London): paragraph 00.
- Ensuring more opportunities in local public transport for the use of minibuses, taxis and other low-cost methods: paragraph 00.
- Supporting the Civil Aviation Authority proposals for effective deregulation of domestic air services: paragraph 00.

- Negotiating with the EC for the removal of controls on the number of lorries allowed to travel between Community countries and increases in other quotas: paragraph 00.
- Seeking progress in the Community towards a more liberal EC aviation market: paragraph 00.
- Negotiating in the EC on the elimination of barriers to the freedom to provide shipping services in the EC: paragraph 00.
- Reviewing recent changes in Heavy Goods Vehicle operator licensing: paragraph 00.
- Negotiating in the EC for substantial changes to regulations on drivers' hours for Heavy Goods Vehicles and Public Service Vehicles: paragraph 00.
- Considering changes to the powers of local highway authorities to object to or require conditions on planning applications: paragraph 00.
- Considering the scope for reducing the burden of regulation on the merchant shipping industry: paragraph 00.
- Proposing reform of the legislation governing marine pilotage: paragraph 00.

9 AGRICULTURE, FISHERIES AND FOOD

- Consulting on proposals to liberalise the arrangements for the importation of veterinary medicine: paragraph 00.
- Discussing with the soft drinks industry about introducing a major simplification of existing complex regulations: paragraph 00.

10 HOME OFFICE

- Introducing the legislation to abolish restrictions on shop hours: paragraph 00.
- Considering the possibility of relaxing opening hours of licensed premises: paragraph 00.

Fire Precautions

- Considering a new system of control to replace the certification requirements of the Fire Precautions Act 1971: greater responsibility would be placed

on owners/occupiers to meet safety standards:
paragraph 00.

- Giving clearer advice to fire authorities to ensure more consistent advice and better links with Environmental Health Officers: the importance of compliance costs will be stressed: paragraph 00.

Data Protection Act

- Arranging for the Registrar to report to the Home Office on the impact of the Act on businesses once there is sufficient experience of the way it works: paragraph 00.

NEW ARRANGEMENTS

- Introducing a system of compliance cost assessment for all regulatory proposals in each Department of State and reporting the results to Ministers: paragraph 00.
- Setting up a central task force in the Cabinet Office to 'audit' Departmental systems for reducing regulation; scrutinise specific proposals; and deal with other deregulation issues: paragraph 00.
- Improving the quality of Departments' published guidance to businesses: paragraph 00.
- Simplifying access to Departments' information and advice: paragraph 00.
- Considering with local authorities how 'One Stop Shop' arrangements will be provided to liaise with businesses: paragraph 00.
- Issuing guidance and objectives to regulatory and enforcement officers in Government to ensure they take account of business compliance costs and are sensitive to business needs: paragraph 00.
- Revising training programmes for enforcement staff to help them to advise businesses more effectively: paragraph 00.
- Reviewing legislation which requires businesses to obtain licences to carry out a variety of functions: paragraph 00.

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PLANNING AND ENTERPRISE

PLANNING

- 3.1. The town and country planning system has not changed in its essentials since it was established in 1947. In many ways it has served the country well and the Government has no intention of abolishing it. But it also imposes costs on the economy and constraints on enterprise that are not always justified by any real public benefit in the individual case. It can cause delay and uncertainty even where applications are eventually approved. Too often the very wide discretionary power that the system affords is used to apply excessively detailed and onerous controls of a kind that would not be tolerated in general legislation. If the system is to remain effective it must be used in a way that does not impose an unnecessary degree of regulation on firms and on individuals.
- 3.2. The Government's policy is to simplify the system and improve its efficiency. A good deal has been done but there is ample scope for further progress. An efficient and simple system can speed the planning process and facilitate much needed development which helps create jobs - in construction, in commerce and industry, and in small firms.
- 3.3. The Government is equally concerned to protect and enhance the environment in town and country, to preserve our heritage of historic buildings and rural landscape, to conserve good agricultural land and maintain the green belts. This too requires a planning system that works efficiently and effectively, and strikes the right balance between the needs of development and the interests of conservation. It is not to be regarded simply as a means of preventing change. Properly used, it can help to secure economy, efficiency and amenity in the development and use of land.

3.4. It is an established principle of planning law that the developer is entitled to his permission unless there are sound relevant and clear-cut reasons for refusal: that is to say, permission is not to be refused for arbitrary or irrelevant reasons. Nor is the developer required to prove the case for the development he proposes to carry out; if the planning authority consider it necessary to refuse permission, the onus is on them to demonstrate clearly why the development cannot be permitted and the reasons must be precise, specific and relevant to the application.

3.5. There is therefore always a presumption in favour of development, unless that development would cause demonstrable harm to interests of acknowledged importance. These principles were clearly stated in a circular issued by the then Ministry of Town and Country Planning in 1949 and restated in a further circular in 1953, and amplified in Department of the Environment Circular 22/80,* "Development Control: Policy and Practice". The Secretaries of State for Environment and Wales are issuing a new circular reaffirming these principles. It is reproduced in the Annex to this White Paper.

3.6. In line with this approach to the control of development, and in support of the general aim of deregulation, a number of other measures are being taken to simplify the planning system and reduce the burden of control:

- (i) It is proposed to introduce new legislation to permit the setting up of Simplified Planning Zones (SPZ) which will extend to other areas the type of planning regime already established in Enterprise Zones. This will enable the local planning authority to specify types of development allowed in an area, so that developers can then carry out development that conforms to the scheme without the need for a planning application and the related fee. Planning permission for other types of development can be applied for in the normal way. This type of planning scheme has proved to be effective and successful in Enterprise Zones and can provide a real stimulus to the redevelopment of derelict

or unused land and buildings in areas that are badly in need of regeneration. In addition to providing local planning authorities with powers to introduce SPZ's, they will also be required to consider proposals for the establishment of SPZ's initiated by private developers. The Secretary of State would have reserve powers to direct the preparation of proposals for an SPZ, similar to those that he already has to direct the preparation of alterations to development plans.

- (ii) It is proposed to introduce a number of changes to the General Development Order which enables specified types of development to take place without the need to apply for planning permission. It is a useful method of deregulation within the planning system. Important changes of this kind were made in 1980 and 1981, and the Government is introducing this month a set of amendments to the GDO designed to facilitate modern developments in telecommunications. The Government proposes to introduce at the start of the next session a number of amendments to reduce regulation including:
- increasing the permitted limit on extensions of industrial buildings from 20% of cubic content (subject to an upper limit on the permitted increase in aggregate floorspace of 750 sq. m.) to 25% of cubic content (upper limit 1000sq. m.);
 - a new provision for the extension of warehousing to a level similar to that proposed for industrial buildings;
 - permission for DBS (direct broadcasting by satellite) aerials of up to 90 cm. diameter on houses;
 - permitted development rights for some exploratory operations for mineral workings.

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CONFIDENTIAL

- (iii) A review of the Use Classes Order (UCO) has been set in train and the results will be published for consultation later this year. The UCO enables land and buildings to be used for various purposes without the need for planning permission, and is thus a means of deregulation like the GDO. Unlike the GDO, however, the UCO has not been substantially changed since it was first introduced in 1948, and is clearly overdue for review in the light of today's conditions. In particular, it needs to take account of the requirements of the typical "high tech" firms where manufacturing, offices, research and development, warehousing and other activities may be carried on in a single building and where the mix of uses and space utilisation may need to be constantly changed and adapted to the needs of the business. Since the UCO is intended to permit and not restrict compatible uses, it is essential that it should be designed to do this effectively.
- (iv) The Control of Advertisements Regulations are also being reviewed in conjunction with representatives of the advertising industry and other interests. One aspect that warrants review is the signposting in rural areas of tourist facilities, hotel accommodation, craft workshops and similar establishments. While a proliferation of commercial advertisements in the countryside would obviously be deplored, it should not be necessary to subject simple directional signs to the same degree of control, provided that they do not create a traffic hazard.
- (v) Proposals have been published for a range of detailed but useful amendments to the Town and Country Planning Act 1971 designed to simplify some of its provisions and improve its procedures. It is hoped to introduce these in the next Session if the legislative programme permits. They include a proposal to extend to cases dealt with by written representations the Secretary of State's power to award costs where it has been shown that the authority or others have acted unreasonably.

- (vi) Proposals have also been published for improving the conduct of major public inquiries, including provision for the pre-inquiry stages so as to simplify the proceedings and ensure that the time of the inquiry is used efficiently. These and other proposals designed to improve the efficiency of the inquiry process will be incorporated as necessary in the Inquiries Procedure Rules after consultation with the Council on Tribunals. The great majority of planning inquiries are completed within one or two days, and last year only 41 out of nearly 3000 inquiries lasted more than two weeks and only 20 lasted more than a month. The few major planning inquiries, however, and some other types of inquiry, can become extremely protracted and to the point where very few of those who wish to appear at the inquiry are able to follow the whole of its proceedings. These measures will help Inspectors at major inquiries to order the proceedings in a way that enables the main issues to be dealt with, and ensures that all those who have a contribution to make are able to do so, while avoiding undue complexity and delay in reaching decisions.
- (vii) It is proposed to issue a booklet to assist small firms to cope with the requirements of development control. This will supplement the booklets already published for householders and for industrial developers, and will be accompanied by a circular to local authorities. In particular the booklet and circular will clarify the position relating to working from home. Planning permission is not normally required where the use of part of a house for business purposes is clearly ancillary to its main use as a residence. It is reasonable that, where the business use becomes dominant or intrusive, planning permission should be required (and may be refused), but many small businesses begin as one-man firms working from home and can be carried on without any serious detriment to neighbouring property.

- 3.7. It is sometimes suggested that even when activity is permitted under planning law the terms and conditions of the sale or of the tenancy, whether in the public or private sector, may nonetheless prevent it. In the case of the public sector some local housing authorities apply restrictions on working from home by means of provisions in tenancy agreements or by including restrictive covenants in sale documents. In the latter case, the right to buy provisions of the Housing Act 1980 require that any covenants imposed should be reasonable in the circumstances. In the Housing and Building Control Act 1984 provision is made for the Secretary of State to direct local authorities not to include certain covenants in their sale documents and to discharge or modify covenants in completed sales.
- 3.8. Some restrictions on tenants may be reasonable to preserve the character of the landlord's estate. But there may well be cases where such terms and conditions are unreasonable and are inhibiting tenants from using their homes to earn their living. There are at present no powers for the Secretary of State to control conditions in local authority tenancy agreements. The Secretary of State takes the view that landlords should not seek to impose restrictions on tenants working from home in cases where planning permission is either not required or has been granted, and this aspect will be dealt with in the circular to local authorities. More generally the Government is ready to examine any evidence of unreasonable terms and conditions in sale documents and tenancy agreements and would be prepared to consider amending the law if evidence of restrictions being used unreasonably is established.
- 3.9. Changes which the Government has made in Capital Gains Tax provisions mean that a person now starting a business at home should not normally need to face CGT as a result.

3.10 All these proposals are aimed at improving the operation of the planning system. While many of them will contribute to deregulation, the Government is also concerned to ensure that the system is effective where careful control is warranted. To this end, proposals have been published for securing improved control over the storage of hazardous substances and it is hoped to introduce the necessary legislation in the next Session. Similarly, proposals have been published for extending the Landscape Areas Special Development Order to all National Parks. Proposals are being prepared, following consultation, to ensure better control over intensive livestock units.

3.11 Where serious environmental problems may be expected, it may still be possible for permission to be given but subject to suitable conditions to protect the environment. Where it is less certain that there will be problems the development should normally be allowed to proceed without onerous conditions. If subsequently there are shown to be serious environmental problems, the local authority could take action against nuisance under the public health and control of pollution legislation. If there was a clear breach of planning law (for example, if the development did not conform with the permission granted) which could not be corrected by negotiation with the business concerned, enforcement action could be taken. The Department of the Environment is to complete this year a review of the use and effects of the powers to control statutory nuisance, with the aim of preparing guidance and making legislative changes if appropriate.

3.12 In addition to pursuing the aim of deregulation and relieving the burden of unnecessary controls on business and small firms, the Government continues to attach the greatest importance to ensuring that, where effective control is warranted, the system operates as efficiently and promptly as possible. This applies to both planning applications and planning appeals.

3.13 The appeal process is a key component of the planning system and it is essential that those who are refused planning permission by the local planning authority should be able to take their case to appeal in the expectation that their case will be dealt with promptly. Although decision times on appeals have improved markedly compared to the position some years ago, there has been some deterioration over the past year or so as the volume of appeals has increased.

The great majority of appeals (86% in 1984) are dealt with by the written representations procedure, which generally provides a simpler, quicker and less expensive process for the appellant. The Department of the Environment has set in train an Efficiency Scrutiny of this procedure with a view to establishing time targets against which performance can be monitored and to which possible procedural changes or increased resources can be related. Regular performance statistics will be published. There are no statutory powers at present to enforce time limits in the case of planning appeals dealt with by written representations and it is proposed to make such provision as part of the legislation referred to in para 6(v) above.

3.14. Local planning authorities' performance has improved over the past few years and 70% of applications in England are now decided within eight weeks compared to 60% in 1979. But some authorities consistently achieve 80% or more, while other authorities only 50% or less. Much can be done to propagate good practice and by simple procedural changes and effective use of information technology. The Department of the Environment is consulting the National Development Control Forum, representing local planning authorities, on the proposal to produce a Code of Practice which would establish a set of guidelines and time targets for the handling of planning applications.

3.15 Development

Plans can assist developers and the business community by providing them with some indicators to guide them in taking their decisions. Development plans include both structure plans and local plans; structure plans are intended to provide the broad policy framework and are prepared by the county planning authorities, while local plans are prepared by district councils for the whole or parts of their area. Inevitably plans become out-of-date and tend to lag behind current needs and conditions. In particular, the twin priorities of generating jobs and providing sufficient land for housing have not been reflected fully or quickly enough in structure plans and the planning decisions of local authorities. The new circular issued by the Secretary of State for the Environment and Wales (reproduced at Annex 2) accordingly makes it clear that development plans are one, but only one, of the material considerations that must be taken into account in dealing with planning applications.

It is also important that development plans should concentrate on the essential elements and the key planning issues, be well related to current trends in the economy and the factors that influence market demand, and be capable of rapid revision to meet changing circumstances. There is cause for concern that this process of plan review and up-dating is becoming too slow and cumbersome, partly because of the lengthy procedures involved and partly because of the increasing tendency to include in structure plans far too great a degree of detail and of a kind which is either not suitable for inclusion in structure plans or could be more appropriately dealt with in local plans or in published guidance for developers (eg. requirements for car parking etc).

The Government is giving further consideration to whether there should be changes in the content and procedures of development plans and in the relationship between development plans and development control.

3.16 Finally, while deregulatory measures and procedural improvements are important, the key objective must be to keep the planning process simple - to avoid over-elaboration and unnecessary detail in development plans, and to concentrate on the essentials in dealing with applications, without complex and superfluous conditions. Deregulation does not imply only the abolition of unnecessary controls. It also means achieving simplicity and efficiency in the way that necessary control is carried out. Simplification, speed and efficiency do not mean dismantling the planning system but they are as relevant to planning as to all other forms of regulation and control. All those responsible for the operation of the system can help to achieve the improvements that are needed.

RENT DEREGULATION

3.17 In parallel with improvements in the planning system, the Government believe that a measure of deregulation for new lettings in the private rented housing sector would also promote enterprise in a number of ways. The Secretary of State for the Environment announced on 12 June that the Government hope to introduce legislation to encourage the supply of more homes for renting in the private sector, but probably not during the lifetime of this Parliament.

BUILDING REGULATIONS

3.18 Since the publication in 1981 of the White Paper on the Future of Building Control in England and Wales, the Government have been engaged in a major overhaul of building control with the aim of simplifying the procedures, providing the option of private certification and removing unnecessary regulations.

3.19 The first stage of this exercise will be completed in November when new building regulations will come into force. These will be much simpler in form than the current regulations, will give wider exemptions and simplified procedures for minor works and provide for private certification by approved inspectors. The bulk of the building regulations will be reduced from over 300 pages at present to some 30 pages.

3.20 After the new and much simplified regulations have come into force, the Government will start the next stage of the review. This will involve examining the requirements of the regulations, to see how far they can be reduced or dropped altogether. A consultative document will be issued by the Department of the Environment with proposals for further changes. The Government's aim is that the regulations should be reduced to the minimum required to secure their essential function, which is the preservation of public health and safety.

3.21 In areas such as structural safety and fire precautions, there will be a need for substantial continued regulation. But the Government will examine carefully the possibilities of reducing the level of regulation in these areas, where this would not mean to increased risk to personal safety. Building regulations also have a role in setting basic standards of cost-effective energy efficiency. These will be examined to ensure that the standards set are the minimum it is appropriate to lay down in regulations.

3.22 The building regulations currently cover other areas, such as sound insulation; hygiene (provision of bathrooms, food storage, etc); safety of stairways, ramps, etc; and ventilation and damp prevention. The Government believe that in some of these areas there may be scope for reducing substantially the extent of regulation or removing some of the regulations altogether. Where the operation of the market can be relied upon to ensure that acceptable standards are maintained, there is no case for regulation. The Government will aim to take decisions on reducing or abolishing regulations in these areas within twelve months.

3.23 Following a recent major review of the separate and distinctive building control systems in Scotland, work is also well in hand there on a complete recasting of the Building Standards (Scotland) Regulations, to produce simplified and fewer regulations. As he announced to Parliament in November 1984 in his Statement of Intent on the future of building control, the Secretary of State for Scotland will also seek early powers to permit a significant measure of designer self-certification of compliance with the regulations; to introduce the type approval of repetitive designs; and to exempt altogether from the scope of the regulations a wider range of agricultural and industrial buildings and minor house extensions.

CHAPTER 4

TAX AND SOCIAL SECURITY

4.1 Some of the burdens faced by the business community apply to all sectors including the self-employed because they stem from the Government's need to obtain revenue. This chapter deals with the work of those Departments - the Customs and Excise, the Inland Revenue and the Department of the Health and Social Security - whose activities regularly impinge on business.

CUSTOMS AND EXCISE

4.2 VAT was the burden most frequently mentioned by small firms in the Burdens on Business report. At present, firms with an annual turnover above £19,500 must register and charge VAT on their sales. This threshold below which firms are exempted from having to charge VAT is the maximum permitted under EC law. The Government believe that Member States should have more flexibility to raise their VAT threshold if they wish. This goal is being pursued through the initiative launched by the Prime Minister at the European Council meeting in March this year.

4.3 There are a number of other changes which can help. Some businesses would welcome the option of making more frequent VAT payments to help with cash management. A limited facility for making monthly payments together with monthly VAT returns already exists. Customs and Excise will mount a pilot scheme to establish within the next six months whether extension of the system will prove helpful.

4.4 Retail businesses selling direct to the public have the choice of using a special VAT accounting retail scheme. This reduces the number of records they must keep for VAT only. However new businesses may, after experience, wish to

change their choice of retail scheme. This will be allowed from October this year and the VAT recalculated. Where this is less than the VAT already paid, the difference will be refunded in full. Greater scope will also be given from the beginning of next year to small traders who wish to change retail schemes as their business develops again with the benefit of repayments of tax retrospectively up to a maximum of 3 years.

4.5 There has been concern over the amount of information firms must keep to distinguish between business and personal use for VAT purposes - particularly motoring costs. Revised guidance on motoring costs will be issued after full consultation with business interests. This consultation will take place in the autumn.

4.6 Some businesses have complained that VAT is paid on some goods for which the supplier never receives payment. It is argued that provision for the refund of VAT to the supplier in such cases of bad debt is too limited. The current Finance Bill goes some way to meeting such arguments. In future, it will be easier to claim VAT refunds because the new arrangements will also take into account some of the new provisions of the Insolvency Bill. This extension of relief for bad debts is estimated to be worth £25 million to businesses in a full year. Provision for relief in cases of bad debts will be reviewed again within two years of the insolvency legislation coming into operation.

4.7 The Burdens on Business report suggested that Customs and Excise should promote the use by small businesses of accounting systems including automated systems, which will help reduce the compliance costs of VAT. Customs and

Excise staff will continue to encourage this on their visits to business premises. However, the need to limit staff numbers and to concentrate their activities on approving systems actually being used by traders precludes Customs and Excise from giving any more general approval for VAT purposes of computer systems being offered on the market. The Government are exploring the possibility of an independent testing of computer systems standards which may help small businesses in their choice.

4.8 The current Finance Bill provides for the implementation of most of the VAT recommendations of the independent Keith Committee. The approach suggested by Keith is not inconsistent with deregulation, proposing a balanced package of measures including removing criminal sanctions against all but the most serious VAT offences and their replacement by a new system of civil penalties. The most important of these measures is a surcharge on overdue VAT. This should be introduced in 1986 to provide a significant deterrent to the persistent late payment of VAT. Such late payment by some businesses discriminates unfairly against other businesses who pay their VAT on time. The new legislation should not place additional burdens on business but is intended to improve compliance with existing requirements on the timely payment of VAT. For the taxpayer who pays his VAT on time, and ensures that his VAT returns are accurate, the new measures will have no effect.

4.9 Since November last year, businesses registered for VAT which import goods have had to pay VAT at the time of importation. The system is similar to that operated in some other EC countries and allows approved importers to defer payment of VAT for a month on average if a suitable guarantee is deposited. Fears about delays to trade have

proved unfounded but there is concern that some importers do not receive the necessary documents they need in time to reclaim the VAT payments on their next return. It appears that such delays often result from late release of documents by agents. A study has been commissioned of procedures to speed up paperwork on VAT so that importers are able to reclaim VAT promptly.

4.10 Further consideration will also be given to establishing an approved status for regular importers, which would entitle them to defer VAT payments on imports.

4.11 Foreign visitors buying goods for export are entitled to buy them free of VAT. Shops making such sales are required to complete a VAT form 407. The administrative burden on business would be reduced if a retailer's sales invoice could be accepted without the need for this special form - but against this must be balanced the need to protect revenue. The Government are studying the practices used by other EC member states before taking any final decision.

4.12 Customs and Excise already have regard to the estimated cost of compliance by business with the requirements they impose and will continue to balance this against the need for effective collection of the Revenue. The tax collector is never popular, but VAT officers will continue to be mindful of the need to maintain public acceptability in the way they carry out their duties.

INCOME TAX AND SOCIAL SECURITY

Employment and self-employment

4.13 The Inland Revenue very recently published a new leaflet which sets out as simply and clearly as possible the criteria for deciding whether a person is classified as

employed or self-employed. This depends essentially on whether he is in business for himself and in deciding this a number of factors have to be considered. People need to be as well informed as possible about what the guidelines are and copies of the leaflet are now freely available in all Tax offices and DHSS Local Offices.

4.14 In deciding about a person's employment status, the two Departments principally involved - the DHSS and the Inland Revenue - rely on the same body of general law. But sometimes decisions by the two Departments have differed, particularly when one decision is more recent and based on new information. They will be taking a number of steps before the end of the year to ensure that in future decisions taken are consistent. In particular, they will be reviewing the guidelines to staff derived from case law and will be improving staff training. They will be arranging for better liaison where views over a person's employment status differ between the two Departments. This liaison will seek to ensure a consistent, swift and clear decision, once differences of view have been identified, with the minimum of inconvenience to the person concerned.

4.15 It is perhaps not widely known that if earnings from self-employment are below a certain level (currently £1,925 per annum), National Insurance contributions need not be paid if exemption from payment has been agreed by DHSS. This exemption (known as the Small Earnings Exception) is to be given greater publicity in future. People whose earnings are likely to be low will be encouraged to apply for it and the DHSS proposes to apply the exemption from autumn 1985 to all new traders who apply for it.

Employers

4.16 Employers - particularly smaller employers - are clearly concerned about the costs of operating the system for calculating income tax and National Insurance, and the Burdens on Business Scrutiny looked particularly at this area. It inevitably involves complex issues, but a Green Paper on the reform of personal taxation is to be published later this year and among the topics to be covered will be the possibility of putting Pay As you Earn onto a different basis (known as "non-cumulation") and of closer alignment between the tax and social security systems. A non-cumulative system would make it less complicated for the small employer who has no computer support to calculate his employee's weekly or monthly tax deductions. Through the Green Paper the Government will be seeking as wide as possible a debate on these and other related issues and it will be taking the interests and views of business fully into account.

4.17 Employers sometimes question why they receive separate visits - to inspect pay and deduction records - from Inland Revenue auditors on income tax and DHSS Inspectors on National Insurance. The two Departments are conscious of this and have been engaged on a joint pilot exercise in this field. They are arranging to cooperate closely in planning visits to employers to check income tax and National Insurance records. The aim is that employers whose operation of income tax and National Insurance systems is in order should be visited by only one of the two Departments.

4.18 Employers also question the need for some enquiries on employees' National Insurance records. In future, the DHSS will make maximum use of information on the employees'

P60 form so that fewer enquiries have to be made to employers over employees' National Insurance records.

4.19 Employers have drawn attention to the procedures for reporting expenses and benefits in kind paid to employees on form P11D. Inevitably, paying employees through benefits in kind involves employers in some extra reporting work, compared to straightforward salary and wage payments. The burden of reporting has been reduced by shortening the P11D. But it can be further reduced if employers apply for a "dispensation" under which payments which clearly involve no extra tax liability do not have to be recorded on the P11D. This applies to employers of any size - large or small (subject to certain conditions such as expenses payments being subject to proper accounting and control). This facility for dispensations may not be as widely appreciated as it should be. The Inland Revenue will encourage wider use of dispensations. They will be publicised in a Press Notice. Particular attention will be drawn to dispensations on the form P11D and in accompanying guidance notes. Inland Revenue will remind staff in local tax offices that employers who meet the necessary conditions should actively be encouraged to apply for dispensations.

4.20 There is a particular need for help and guidance for new businesses when they are first taking on employees. The material for new employers dealing with income tax and National Insurance has recently been revised and much improved and is now being incorporated in a new "Starter Pack". This pack includes a leaflet designed specifically for new employers and showing as simply as possible the basic steps involved in operating the income tax and National Insurance systems. The Government's aim is to

produce a single booklet dealing with all aspects of the employment relationships and associated requirements.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

4.21 Apart from national insurance contributions the main area in which DHSS currently imposes requirements on employers concerns the administration of the statutory sick pay scheme (SSP). There are also a variety of inquiries made of employers to determine entitlement to benefit, for example industrial injuries (II) benefit.

Statutory Sick Pay

4.22 Since April 1983 SSP has been paid by employers for the first eight weeks of sickness. The Social Security Bill, currently before Parliament, proposes that from April 1986 the period of SSP paid by employers should be extended to a maximum of 28 weeks; and that employers should be compensated, with effect from April 1985, by way of the national insurance contributions they pay on SSP.

4.23 The Government consulted representatives of employers extensively before embarking on SSP, and have consulted them again about the legislation to extend the scheme currently before Parliament. The DHSS review of the administrative and legislative requirements it imposes on business has concentrated on the existing SSP scheme. However, several of the options identified which could ease the burden on business - and particularly on small firms - are equally relevant to the proposed extended scheme. DHSS intends to issue a consultation paper to employers' organisations in the next few weeks putting forward the following options:

- i allowing employers to opt out of SSP, providing they paid their sick employees at least as much as

the appropriate SSP rate. This would allow a reduction in record-keeping for sick absences; and

- ii some useful simplifications to the rules, in particular to make qualifying days rather than calendar days the basis of the scheme.

Industrial Injuries

4.24 The Government have reviewed the requirements on employers flowing from the administration of the II scheme. Several relate to the need to obtain earnings details; the Government are considering some useful simplifications, including the following:

- i relieving employers of a total of 175,000 enquiries per year from DHSS Local offices by using centrally-available New Earnings survey data in future to determine levels of earnings and to calculate awards of special hardship allowance (SHA);
- ii simplifying and redesigning several of the forms including those used for occupational deafness enquiries so as to make them easier for employers to complete.

Other possibilities

4.25 DHSS is reviewing all those tasks which it asks or requires employers to perform, including those affected by the recent social security reviews. DHSS will identify areas where there is scope for further deregulation. (It will, however, be some time before detailed plans for implementing any new recommendations from this review.)

CHAPTER 5

THE WIDER ROLE OF GOVERNMENT

EMPLOYMENT PROTECTION AND HEALTH & SAFETY

5.1 In addition to the Departments mentioned in the previous chapter many other Departments are responsible for regulations which affect particular business activities. These regulations range from those concerned with individual industries or sectors, such as agriculture and transport, to those which affect a broad range of businesses, such as regulations on health & safety. This chapter considers these wider regulations.

5.2 The Department of Employment (DE) Group is responsible for two main areas of regulation which affect a great many businesses - employment protection and health & safety.

Employment Protection

5.3 The Government have already taken positive steps to ease the burdens on employers in this area - including changing the onus of proof on unfair dismissal, requiring industrial tribunals to take account of the size and administrative resources of firms, easing the impact of the maternity reinstatement provisions (especially for the smallest employers) and reducing the requirements for advance notice of redundancies involving less than 100 people.

5.4 Employers are not always clear, however, about the requirements placed upon them or their likely practical effects, for example in relation to the operation of industrial tribunals. One frequently heard complaint concerns the time that employers can be required to spend dealing with frivolous or vexatious claims of unfair dismissal. In this respect the introduction of Pre-Hearing Assessment (PHA) procedures has had a significant effect in weeding out weak claims. At the PHA it can be made clear to applicants that if they persist with claims that appear to have little chance of success they could be liable for the costs of the other party. Experience shows that over 80 per cent of applicants in these circumstances do not proceed to a full hearing.

5.5 Taken together with the most important recent relaxation which raised the qualifying period for unfair dismissal complaints to two years for all businesses, these changes mean that the real burden of employment protection has been substantially reduced. The Government are, however, considering what further action can be taken to improve the information and advice available to employers in this area, and to improve industrial tribunal procedures.

Health & Safety

5.6 The Health & Safety Commission (HSC) takes every opportunity to repeal out-of-date legislation whenever new controls are necessary for dealing with important hazards. The Government do not believe that the current requirement for any new regulations to maintain and improve existing standards presents difficulties here nor does it stand in the way of bringing forward new primary legislation when it is needed. The Government are committed to maintaining necessary protection and have no intention of down-grading health & safety standards either generally or in relation to small firms.

5.7 Nevertheless, there are a number of areas in which action can be taken to assist employers without any reduction in standards. These include -

- raising the threshold of the requirement on employers to prepare a written safety policy from five to twenty employees;
- making clearer to employers that they have a right to question Inspectors' decisions and showing them how this can be done;
- improving the information available to small firms through a pamphlet being prepared in consultation with organisations representing small firms;
- giving specific training to Inspectors to increase their awareness of smaller firms' interests;

- building on the mandatory guidance that has already been given to local authorities to improve consistency and devising a national system of hazard rating for use by local authorities;
- including in consultative documents some assessment of the effects of proposals for regulation on small businesses; and
- designating one of the HSC Commissioners to represent the interests of small businesses.

5.8 Action on all these matters is in hand. In addition, the HSC recognises that the law governing the onus of proving whether or not a specific requirement is "reasonably practical" is complicated, and is considering what useful guidance can be given. The Government also propose to examine, in conjunction with the HSC, the need to reactivate arrangements for systematic review of existing regulations.

Information and Advice

5.9 Information and advice for employers will be made both easier to understand and more accessible. Simpler and more readable leaflets are being prepared covering employment protection and health & safety matters, aimed particularly at helping those starting up in business and employing people for the first time. Jobcentres will be used more widely, to provide premises for bodies offering advice and help to small firms and as a source of a broader range of information (eg material provided by the Department of Trade's Small Firms Service and enterprise agencies, as well as the new leaflets on employment protection and health & safety).

Other issues

5.10 Other areas on which action is either being taken or is being considered are -

women's hours of work - unnecessary restrictions and out of date discrimination on women's hours of work will be repealed: this will also better ensure equality of opportunities

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in employment;

- Wages Councils - the Government have consulted widely and is now considering the options for reforming the Wages Council system (including the possibility of exempting young people and reducing the scope of regulation) or for abolishing it altogether.



TRADE AND INDUSTRY

5.11 The main regulations placed on business by the Department of Trade and Industry are designed to ensure that the market works fairly in the interests of business, customers and investors alike. Business generally endorses the need for a framework of regulation in areas such as company and consumer law, which benefits businesses themselves as well as customers and investors. However, this does not lessen the need for regular scrutiny of legislation and its enforcement to ensure requirements are relevant to the modern market place, comprehensible and cost effective. The Government are taking action in the following areas.

Company Law

5.12 The Government are committed to taking action to simplify the company law filing requirements both to benefit small firms and also to facilitate further streamlining of procedures at the Companies Registration Offices. Changes will include -

- simplifying the procedure for establishing a new company's accounting reference date
- reminding companies of their filing obligations by sending the necessary return forms (say) six weeks in advance of the due date
- replacing the present requirements governing the filing of annual returns and accounts with a single requirement covering both documents.

5.13 The Government will also make early decisions on the proposals in the "Burdens on Business" Report to eliminate the statutory audit requirement for small companies and to

reduce and simplify the content of small company accounts. The consultative document "Accounting and Audit Requirements for Small Firms" published by the Department of Trade and Industry on 4 June sets out the options for change and arguments for and against the proposals. Early decisions will be taken in the light of comments received by 30 September 1985.

Consumer Law

5.14 There is a clear need for a framework of consumer law to maintain basic standards of fair trading and adequate protection for the customer and, indeed, of the honest trader and to assist the working of the market. Equally, we recognise the need to contain the costs of regulation for business and government and the need to ensure that the regulation is straightforward and easy to comply with. Against this background the following changes are in hand.

5.15 As soon as Parliamentary time is available, replacement legislation will be introduced on misleading price indications. This will repeal the Bargain Offers Order which has been criticised by traders and enforcement authorities alike and replace it and Section 11 of the Trade Descriptions Act 1968 by a new general provision against giving misleading price indications, with supporting detail in a statutory code. The statutory defences to prosecution under this legislation will be simplified to "all reasonable precautions and all due diligence".

5.16 Legislation will introduce a new general duty on product safety. Goods will be judged by the benchmark of "sound modern standards of safety". Full account will be taken of compliance costs as well as safety benefits in detailed application of the duty. Once this general duty is

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in place it should prove possible to dispense with, or simplify, many existing regulations. There should be much less need for specific regulations: Prohibition Orders and Notices should be substantially reduced. The Government are shortly to consult interested parties in order to decide which regulations should be made easier and simpler to understand and comply with.

5.17 The report of the Eden Committee on "The Metrological Control of Equipment for use for Trade" (weighing and measuring equipment) has now been published. Initial consultation is to be completed by November 1985. The Government will decide on action should be taken by mid-1986 and will bring forward legislation as necessary. The Government welcome the deregulatory aims of the Eden Report to make business more responsible for regulating itself. They see promise in many of the proposals provided that full confidence in fair trading can be maintained. The proposals could lead to a significant reduction in the burden on business and could also allow local authorities to use their manpower more cost effectively than is possible under current regulations.

5.18 The Consumer Credit Act 1974 has taken eleven years to put fully in place following implementation of the final regulations in May 1985, and a period of stability is now needed in the interests of consumers and businesses. An important feature of the Act is that it replaces 12 existing Acts which were totally repealed. In addition it partially repeals 47 other Acts. The burden of changing business forms was irritating but inevitable; however, it has now been completed. The Government are of course ready to act to alleviate specific business difficulties - this has already been done in relation to documentation requirements for mail order traders.

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TRANSPORT

5.19 In 1979 the transport market was excessively regulated, internationally even more than domestically. Consequently, the Government's main priority has been to remove unnecessary domestic regulations, and to negotiate changes to international regulations, to provide opportunities for new businesses and to stimulate competition. However, they have also given high priority to ensuring that necessary regulations are as unrestrictive, simple and uncostly as possible.

5.20 The Transport Act 1980 removed "quantity" restrictions on long-distance coach services with outstanding success: 700 new services have been registered since October 1980 and fares have fallen on average by 40% in real terms. A new market in commuter coaching has also been developed. Following the Civil Aviation Act 1980, competition was introduced on several domestic air routes resulting in better and more frequent service.

5.21 Building on these successes, in the Transport Bill now before Parliament the Government are proposing to increase competition in the local bus industry by abolishing road service licensing throughout the UK except, for the time being, in London. The Bill also provides more opportunities for the use of minibuses, taxis and low-cost transport services in the provision of public transport. The Government's White Paper "Airline Competition Policy" (Cmnd 9366) published in 1984 welcomed proposals by the Civil Aviation Authority effectively to deregulate domestic air services.

5.22 In international negotiations, the Government have promoted major measures of deregulation. In the field of road haulage, they have secured the agreement of the EC to work towards the elimination of quota restrictions on international road haulage permits and, in the meantime, to a doubling of the existing quotas by 1989. Substantial increases in bilateral road haulage quotas have also been negotiated. As for aviation, the Government set out their strategy for promoting competition in the White

Paper "Airline Competition Policy" (Cmnd 9366) and have negotiated important measures of deregulation both in the EC and elsewhere. In particular, they have secured more liberal bilateral agreements with Holland, the Federal Republic of Germany and Luxembourg. As a result of the agreement with the Dutch Government in June 1984, traffic between the UK and Holland increased by over 16% in the following year and a further measure of deregulation has just been agreed. In shipping, the EC Council of Ministers has agreed to take rapid action towards the goals of eliminating barriers to the freedom to provide shipping services in the EC and of providing for joint action by EC member states to deal with protectionism by third parties.

5.23 Although the Government accept that some degree of regulation is necessary for safety and environmental reasons, it is essential that the burden this imposes on businesses should be minimised. The Government have already taken a number of steps to achieve this.

5.24 For example, the Secretary of State has taken the lead in relaxing his powers as a highway authority to control development along trunk roads. The relaxations were made initially through administrative action and are now to be given statutory effect and made permanent. The Secretary of State is considering what changes might be made to the powers of local highway authorities.

5.25 The Department has carried out a complete revision of its guidance booklet and licence application form for Heavy Goods Vehicle operators. In the EC, the Government have pressed for substantial changes to the regulations concerning drivers' hours for heavy goods and passenger service vehicles which are unnecessarily restrictive and inflexible: proposals to bring about the changes are now being discussed in the Community and agreement in principle has now been reached on the main changes.

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5.26 These examples are part of a continuing process. For example, the Government are now looking at the scope for reducing the burden of regulation on the shipping industry whilst maintaining safety standards. The Government have also proposed a reform of the legislation on marine pilotage in order to reduce the cost of this service imposed on industry by out-moded legislation and regulations. It is also seeking to improve the efficiency of lights services. The Department will also be reviewing the recent changes in Heavy Goods Vehicle operator licensing to examine what more might be done to reduce the burden they impose on operators.

AGRICULTURE, FISHERIES AND FOOD

5.27 Many of the regulatory burdens on the agriculture, fisheries and food industries relate to European Community requirements and, on behalf of the United Kingdom, it is the aim of the Ministry of Agriculture, Fisheries and Food to keep such measures to the minimum necessary for the efficient administration of the Community arrangements. In some areas, regulations are of benefit both to the public at large and to the industries themselves; for example, the restrictions on imports to prevent the introduction of rabies and foot-and-mouth, ~~at the~~ on the movement of livestock, fish and plants following outbreaks of certain diseases. Consumers also benefit from measures designed to protect the safety and quality of food and to provide fuller information about the products they buy.

5.28 The Ministry takes action whenever possible to ease the burdens on agricultural, horticultural, fisheries and food sector businesses imposed by domestic legislation. For example, on 1 July 1986 the full force of new Government measures to replace restrictive standards in one important part of the food sector by more informative labelling will be felt; this follows the introduction of the Meat Products and Spreadable Fish Products Regulation 1984 which replaces 7 sets of regulations and reduces the number of compositional standards from 50 to 12.

5.29 Other improvements are imminent. The Ministry is currently consulting representative organisations on the proposal to liberalise the arrangements for the importation of veterinary medicine by the end of 1985. Controls over artificial insemination in cattle have recently been reviewed and proposals for freeing certain aspects of trade in cattle semen in England and Wales are now being implemented. Simplified controls over the quality of livestock permitted to be used in artificial insemination are to be introduced from the beginning of 1986.

5.30 Further ahead, the Ministry is now in discussion with the soft drinks industry about introducing a major simplification of the existing complex regulations.

HOME OFFICE MATTERS

5.31 The Government have announced that they will seek an early opportunity to introduce legislation to abolish statutory restrictions on shop opening hours.

5.32 Decisions on whether the opening hours of premises licensed to sell alcoholic drinks should be relaxed will be taken in the light of all relevant considerations when a full report by the Office of Population Censuses and Surveys and analyses of available data on alcoholism and alcohol-related harm are completed by the end of 1985.

5.33 One of the most significant requirements for which the Home Office are responsible are fire precautions. The importance of adequate precautions has been emphasised only too tragically by the recent Bradford fire disaster. The need is for requirements which are readily understandable, backed up with expert advice on compliance, avoiding unnecessarily severe requirements on low risk premises but consistently catching and improving high risk premises.

5.34 The Government are considering proposals for a new system of control to replace the certification requirements

of the Fire Precautions Act 1971. Under this system the person having control of premises put to a designated use would have to register with the fire authority and would be required to take such steps for securing a standard of fire safety as is "reasonable in the circumstances of the case". A published guide would advise on how to comply with the requirements in the various categories of premises. Enforcement of standards would be achieved by improvement and prohibition notices and, where necessary, by prosecution. This approach would reduce administrative burdens on the fire service, enabling greater concentration on their advisory role and on "policing" high risk premises. The person responsible for the premises would be clear from the outset what his obligations are and how they can be met.

5.35 In addition the Government will strengthen their advice to fire authorities in order to

- promote consistency of advice to owners/occupiers to save unnecessary expense in carrying out fire precautions work;
- strengthen links with Environmental Health Officers to avoid any potentially conflicting advice being given to owners/occupiers;
- develop in appropriate courses at the Fire Service College training in the importance of compliance costs to business and the need for flexibility in accepting cost saving alternatives which meet fire precautions requirements.

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Data Protection

5.36 The Data Protection Registrar will be asked to report to the Home Office on the impact on businesses, and particularly small businesses, of the requirements of the Data Protection Act 1984 once the Act's provisions are fully in force and have had time to take effect.

CHAPTER 6

EUROPEAN DEREGULATION

6.1 So far, this White Paper has considered deregulation in the context of the rules and regulations which are the direct responsibility of the Government. In addition, however, as recommended in "Burdens on Business", the Government have taken steps to complement its domestic deregulation strategy with measures to cut the burdens imposed by European Community regulations and directives. In response to an initiative launched by the Prime Minister, the European Council on 29/30 March agreed that priority should be given to action to reduce the administrative and legislative burdens on business, particularly on small and medium-sized enterprises, and called on the European Commission to report to them on the problems in this sector and on the measures to be taken at both national and Community level, particularly as regards administrative simplification.

6.2 The Government have held extensive discussions with the Commission to ensure that they follow up this initiative thoroughly. We have pressed for a review of all existing and proposed legislation and for the establishment of a permanent procedure to vet future proposals for their impact on business. In addition, we have undertaken a review of our own and put to the Commission and other member states an initial list of some forty directives or regulations adopted or in the pipeline, which we regard as excessively burdensome. We have encouraged industrial organisations in Britain and Europe and other Governments in the European Community to carry out their own reviews and to take an active interest in deregulation at the Community level.

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6.3 The Commission are currently considering what deregulatory measures to take in the context of help for small businesses. We understand they are likely to undertake a review of existing and proposed legislation and that a full report will be made to the Luxembourg European Council in December 1985.

COMMUNICATIONS WITH BUSINESS

7.1 One of the clear messages from "Burdens on Business" was that the cost to business of complying with regulations depends not only on the requirements themselves but also on the way in which the regulations are communicated to business and the way in which they are enforced by the appropriate officials. This chapter sets out the Government's proposals on communications and enforcement.

Communications

7.2 The Government intend to improve the effectiveness of communication between the whole range of government agencies (central and local) and the business community. When officials frame regulations or implement them, they should always be aware of the effect on business. The Government intend that individual Departments should take greater care to assess the impact on business of proposals for regulations. The permanent arrangements set out in Chapter 00 will complement these efforts and provide scope for central monitoring.

7.3 Equally, it is the job of government to explain clearly to business how they can be affected by regulations and what their responsibilities are. The Government have identified two broad objectives:

(i) to improve the quality of Departments' published guidance;

(ii) to simplify access to information and advice.

7.4 On (i) the Department of Trade and Industry has recently repackaged its support for industry schemes. The Inland Revenue has produced a "Starter Pack" for people setting up in business. And Customs and Excise have won plain English awards for two of their leaflets. To improve things still further, all Departments will be reviewing their publicity material designed to give advice and guidance to business. It is hoped that "starter packs" can be produced covering all the major regulations which affect business start-ups and expansions. Easy to read, simple guides will be prepared, together with more detailed - but still

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easy to read - reference documents. The intention will be that any ordinary small employer should not, in normal circumstances, need to refer to the detailed reference material.

7.5 On (ii) Departments will also be reviewing their arrangements for making this written material available to firms and for providing advice by officials. Face-to-face interviews are often more acceptable than official letters. Improved telephone enquiry points and, perhaps, "freephones" will be introduced where this would help.

Local authorities

7.6 Communications with business about regulations should be as clear and straightforward as possible at a local as well as at a national level. Although local authorities have rapidly expanded their services to help small firms in recent years, the Government believe that there is still scope for improvement in terms of communication with business. To that end, the Government are actively considering the idea of "One-Stop Shops" within local authorities. These would essentially be single enquiry points providing information on local regulatory requirements, and quick referral to the relevant department of the local authority. The Government hope that as units of this kind prove their worth, they will develop a further role - representing the interests of firms dealing with other, regulatory departments within the local authority. Arrangements on these lines would ease significantly many of the administrative difficulties business, particularly small business, currently encounters in its dealings with local government.

7.7 The Department of the Environment will discuss with local authorities who are already active in helping small firms, how their services can be extended to a fully-fledged one-stop shop of the kind envisaged above. Steps will then be taken through the local authority associations to encourage the adoption of best practice. On the experience of what local authorities have so far achieved, the full development of a "one-stop shop" approach should involve only minimal additional expenditure. Indeed, if efficiency of operation were improved as a result, then savings might be possible.

Enforcement Practice

7.8 The Government recognise that, particularly to someone just starting up in business, coping with regulations can be a daunting experience. They believe that a sustained effort to improve communications about regulations will go a long way to remove many of the difficulties which face the business community, and remove many of the misunderstandings which occur.

7.9 The Government also recognise that the way regulations are enforced can be as much a problem as the regulations themselves. Enforcement officers have a difficult task and there will inevitably be a degree of friction in some cases when action has to be taken against firms. But in recent years Departments have taken steps to try to reduce this friction to the basic minimum. The Government intend to build on these efforts in a variety of ways.

7.10 Those Departments with regulatory functions will be required to refer to compliance costs, and to the need to be sensitive to the concerns of the business community, in their individual management plans. In some cases, this already happens. The current Customs and Excise Management Plan refers to the need - "to have regard to the extent to which control requirements impinge on commercial activities, the effect on business costs and the need to adjust to commercial change and maintain public acceptability". Similar guidance will be applied in other Departments. In parallel with this overall guidance, in order to bring the message home to those involved in day to day enforcement, Departments responsible for major areas of deregulation will also be issuing to staff similar, more detailed, guidance and objectives for units and individual officials involved in regulatory and enforcement activity. These will form part of the Departments' management information system process, which involves the setting of objectives for each unit.

7.11 In addition, the Government believe that in most cases it should be possible for Departments to develop guidelines on enforcement practice, available to members of the public.

7.12 The proposals for central government set out in paragraphs 7.2 to 7.5 above will be implemented by April 1986 at the latest. On local government, the Department of the Environment will be reviewing progress with [the central task force] by the same date.

Training

7.13 The Government also intend to improve the training given to enforcement officers. Most Departments already pay considerable attention to the training of their staff involved in enforcement and in many cases training programmes include elements which are designed to ensure that officials are fully aware of the impact their activity can have on businesses. In spite of these efforts there is a steady volume of discontent about enforcement activity. Accordingly, Departments will be revising their training programmes to give greater attention to "communications" and to the need for a sensitive approach to businesses.

Appeals

7.14 When things go wrong, it is important to have a speedy and effective way of resolving disputes. Most Departments will be setting up informal appeal systems so that businesses can appeal "up the line" within enforcement agencies. Departments' individual management information systems will incorporate these changes.

"Onus of proof"

7.15 Existing provisions governing the onus of proof, and the defences available to businesses in the event of prosecution, vary between different areas of regulation. These provisions can affect the way in which enforcement authorities exercise their powers in cases which do not involve prosecution or breach of the law as well as those which do. The Government intend to review the present position to see whether changes should be made or improved guidance issued. This review will be concluded by April 1986.

Coordinated visiting

7.16 It has also been suggested that officials from different Departments should coordinate their visiting programmes so that firms are not subject to a succession of visits from different officials. This clearly takes up scarce management time but there are obvious organisational problems for individual Departments. However, starting later this year two or three pilot studies in selected areas will be carried out to determine whether regulatory agencies can concert their efforts in this way and to assess the benefits to firms of having coordinated visits. A progress report on these pilot schemes will be produced by April 1986.

Review of Licensing Requirements

7.17 The "Burdens on Business" report also suggested that there should be a review of the wide variety of different licensing systems, so that the registration, notification, and inspection requirements of central and local government agencies could be rationalised. The Government propose to set in hand such a review, consulting the local authority associations and other interested parties, to be completed within 6 months.

Local Acts of Parliament

7.18 The Government have also noted that while most local authorities are well aware of the need to avoid placing unnecessary burdens on the business community, some local Acts of Parliament can also have an adverse effect on business. They will be considering with the local authority organisations, and other interested parties, to what extent these local measures can reflect more closely the overall objectives of the Government - to give a balanced deregulation programme, in order to promote enterprise and jobs. In addition, Departments will, as part of their routine scrutiny of Private Bills, pay particular attention to provisions which have implications for the business community and, where they may impose unnecessary burdens, will take this into account in formulating their reports to Parliament. As mentioned in the next chapter, this work will be coordinated by the central task force.

NEW ARRANGEMENTS TO CONTROL REGULATION

8.1 The previous chapters have set out the Government's thinking on deregulation and some of their proposals for action in individual Departments. But such a strategy would be incomplete unless it is accompanied by measures to ensure that new regulations are not introduced unless the need for them has been clearly demonstrated. The Government want to stem the flow of regulations. "Burdens on Business" recommended a three-pronged approach to deal with this flow:-

- (i) a structured analysis of each new proposal, to be prepared and published by the initiating agency concerned, including a systematic assessment of its impact on business enterprise;
- (ii) critical scrutiny of the proposal, in particular of the assessment, by a small task force in central Government with real teeth; and
- (iii) regular overviews by the task force of proposals in the pipeline and the scope for eliminating, simplifying or rationalising existing requirement systems.

8.2 The Government intend to set up a system for assessing and monitoring regulations along these lines. Experience of other countries such as the USA, the Netherlands, and the Federal Republic of Germany, suggests that systematic assessments of the likely effect of regulations, coupled with central monitoring, is an effective way of restraining the growth of regulations. The representations the Government have received from the business community are very much in favour of such an approach. And as part of its response to the Prime Minister's initiative on European deregulation, the European Commission are considering a similar procedure to deal with EC legislation (see Chapter 6).

8.3 While the Government have no wish to set up a new bureaucratic system they do see considerable merit in applying a more objective and systematic approach to the regulatory process. Accordingly, each Department will in future prepare assessments of the compliance costs of their regulatory proposals. They will nominate officials with special responsibility for this work, reporting to a minister.

8.4 The main channels of communication between government and business interests will continue to be the departments which "sponsor" the sector concerned and the departments responsible for individual regulations. "Burdens on Business" recommended that the latter should review and strengthen the arrangements for consultation with small business organisations. This recommendation is endorsed by the Government. Departments will be taking action and will be reporting back to a central task force by April 1986.

8.5 The small central task force will be set up as part of the Cabinet Office, bringing in expertise from the private sector. It is important, managerially and constitutionally, that responsibility for assessing regulations rests with the originating departments. But the task force will act as a focus of expertise. It will assist departments in the preparation of their assessments. It will carry out an "audit" function, by receiving regular reports from Departments on their systems of assessment and their results, and by scrutinising selected proposals and advising ministers about their acceptability, especially their likely effect on business. In addition, the task force would be involved in occasional reviews of particular subjects, such as the review of central and local government notification, licensing, and inspection requirements mentioned in Chapter 00.

8.6 It is not intended that these new arrangements would duplicate or disturb existing arrangements for consultation with business on specific proposals, such as the Department of Trade and Industry's existing links with business. The task force will be concerning itself, selectively, with regulations which have an impact on business, whatever the originating Department. It will not, however, be involved in consideration of Budget and revenue raising issues, which will remain the responsibility of the Chancellor of the Exchequer. Policy decisions on the maintenance of law and order, or on the safety and protection of the public, may have to be taken despite the burdens they impose. But the administration and implementation of such policies in the relevant Departments will fall within the scope of the new arrangements.

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8.7 In order to prevent the setting up of permanent machinery which may outlive its usefulness-and to serve as an example to others - the Government have decided that the life of the task force should be limited to about three years, in the first instance, at which stage there will be a review of its performance and achievements. The task force should be fully operational later this year, following further consultations with business, and the review will therefore be carried out in the Autumn of 1988.

8.8 The Government believe that the preparation of assessments, and the setting up of a central task force, will provide a strong mechanism for curbing undue regulation in future. These developments will complement the efforts being made within individual Departments, summarised in Chapters 4 to 5. They are a clear sign that the Government is determined to remove unnecessary regulations and to take more fully into account the interests of the business community - in order to promote enterprise, create jobs, and generate wealth.

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LIFTING THE BURDEN: MEASURES ALREADY TAKEN

WHAT THE GOVERNMENT HAVE ALREADY DONE

ENVIRONMENT

- Designated Enterprise Zones, where for most development, no planning application or fee is needed.
- Amended the General Development Order to allow
 - factory extensions of up to 20% instead of 10% of the original building size (with a limit of 750m²);
 - home extensions up to 15% instead of 10%;
 - more changes of use - eg allowing small warehouses, to be used for light industry, and small light and general industrial buildings to be used as warehouses.
- Issued firm guidance to local authorities on development in Circular 22/80:
 - there should be a general presumption in favour of development;
 - local authorities should help identify premises for small firms;
 - local authorities should not take enforcement action except as a last resort.
- Reinforced the presumption in favour of development in the specific context of manufacturing industry and high technology (Circular 16/84).
- Issued a new booklet (linked to Circular 16/84) on "Planning Permission - a Guide for Industry", giving practical advice to industrialists on the planning system, how it works, and how to use it.

- Issued guidance to local authorities stressing policy that the use of conditions in planning permission should be kept to an essential minimum (Circular 1/85).
- Issued positive policy advice to local authorities on planning in relation to onshore hydrocarbon (oil and gas) exploration, appraisal and production.
- Speeded up planning appeals by:
 - transferring more cases to Inspectors, which means quicker processing;
 - introducing informal hearings as an easier cheaper inquiry system for simple cases;
 - introducing "instant decisions" which are now issued on around a quarter of inquiry cases.
- Amended the Control of Advertisement Regulations, to give deemed consent for poster hoardings round construction site for up to 2 years and to allow advertisements on captive balloons.
- Announced their intention to repeal or substantially relax nearly three hundred controls over local authorities.

TAX AND SOCIAL SECURITY

- Established six experimental freeports.
- Simplified VAT returns by reducing the number of boxes firms need to complete;
- Simplified VAT leaflets for the guidance of small business (two of which have won Plain English awards).

- Abolished certain minor excise requirements and other obsolete regulations.
- Introduced deferred duty payment for wines and spirits.
- Removed restrictions relating to warehousing of immature spirits.
- Abolished Investment Income Surcharge.
- Removed the National Insurance Surcharge from October last year. The abolition of this tax on jobs was worth £850 million in a full year to employers.
- Abolished Development Land Tax.
- Reduced the size of the Paye As You Earn taxable pay tables for employers from around 500 pages to around 50 pages.
- Simplified the Paye As You Earn coding structure leading to a marked reduction in the number of coding changes for employers to make.
- Simplified and modernised Stamp Duty by abolishing 15 separate duties and reducing by 40 per cent the number of documents that have to be stamped.
- Abolished the apportionment of the trading income of close companies (broadly, companies controlled by five or fewer people), cutting out a number of complex tax provisions which were time-consuming for the small trading business.
- Raised the threshold for Capital Transfer Tax by over 50 per cent in real terms.
- Ended company directors' personal liability for NI contributions not paid by the company in respect of its employees.
- Introduced a revised "Employers" guide to NI contributions" which has generally been reckoned to be a great improvement on its predecessors.

- Extended the time limit from 2 to 6 years in which self-employed contributions may be paid and count for pensions purposes.
- Integrated the contributions and compliance sections of DHSS local offices to give employers a single point of reference.

EMPLOYMENT PROTECTION AND HEALTH & SAFETY

- Removed the 'onus of proof' from employers in unfair dismissal cases.
- Laid down that tribunals should take account of the size and administrative resources of the firm in unfair dismissal cases.
- Introduced pre-hearing assessment at industrial tribunals to identify weak claims.
- Removed requirement for tribunals to give full written reasons for their decisions in all cases.
- Widened rule on award of costs by industrial tribunals.
- Changed the basic award system in unfair dismissal cases to allow reduction of the award because of the employee's behaviour or if the employee unreasonably refused an offer of reinstatement.
- Introduced exemption from maternity provisions for firms with less than six employees.
- Reduced period for advance notification of redundancy from 60 to 30 days for redundancies involving 10-99 employees.

- Revoked over 300 individual health & safety regulations since 1980.
- Closed 16 out of 23 Industrial Training Boards.

TRADE AND INDUSTRY

- Opened up the market for spectacles to competition.
- Removed need for specific Departmental approval for prospectuses issued by managers of Business Expansion Scheme funds.
- Removed requirement for small companies to file full accounts.
- Removed requirement for dormant companies to appoint an auditor.
- Removed prohibition on companies buying their own shares.
- Simplified arrangements for approval of company name.
- Introduced scheme permitting, during the development phase, examination of novel equipment submitted for "pattern approval" under the Weights and Measures Act.
- Reduced by one third the number of statistical enquiry forms sent to businesses.

TRANSPORT

- Removed quantity restrictions on long-distance express coach services.
- Introduced competition on several domestic air routes.
- Negotiated the liberalisation of air services to Holland, the Federal Republic of Germany and Luxembourg.

- Negotiated increases in the quotas for international road haulage permits.
- Revised the guidance booklet and licence application form for Heavy Goods Vehicle operators
- Relaxed its powers to control developments on trunk roads.
- Removed restrictions on port investment.

AGRICULTURE

- Speeded up arrangements in 1980 for farmers and growers applying for grants for capital investments.
- Abolished by the Animal Health and Welfare Act 1984, licensing of stallions which had been in force since 1918.

HOME OFFICE

- Simplified the forms on which licensed dealers in controlled drugs make an annual return to the Secretary of State in order to improve quality and efficiency of returns and reduce unnecessary burdens.
- Examined the rules and procedures relating to the admission of overseas business people to the UK to ensure that applications from business people which are likely to be of benefit to the UK economy are dealt with expeditiously.
- Eased burdens on licensed firearms dealers and on police authorities through proposals for a single condition on dealers' certificates and revision of the list of standard conditions.
- Ended the licensing by the Home Office of small cable systems devoted solely to the relay of broadcast programmes. Although many of the systems were run by public bodies, some were operated by small businesses and a burden has been lifted by abolition of the licensing requirement.

DRAFT
2.7.85Circular
(Department of the Environment)
Circular
(Welsh Office)

Joint Circular from the
Department of the Environment
2 Marsham Street, London SW1P 3EB

Welsh Office
Cathays Park, Cardiff CF1 3NQ

DEVELOPMENT AND EMPLOYMENT

July 1985

1. The White Paper on Deregulation (Cmnd ...) sets out the Government's overall approach to reducing controls and regulations in the interests of promoting enterprise. Chapter 3 explains the action that the Government is taking to simplify the planning system and improve its efficiency, and relates this to the broader context. This circular (which is reproduced as an annex to the White Paper) deals with policy on development control under the Town and Country Planning Acts.
2. New development contributes to economic activity and to the provision of jobs. It is in the national interest to promote and encourage it. The planning system must respond positively and promptly to proposals for development. Delay adds to the costs of development.
3. Development proposals are not always acceptable. There are other important objectives to which the Government is firmly committed: the need to preserve our heritage, to improve the quality of the environment, to protect the green belts and conserve good agricultural land. The planning system, however, fails in its function whenever it prevents, inhibits or delays development which could reasonably have been permitted. There is therefore always a presumption in favour of allowing applications for development, having regard to all material considerations, unless that development would cause demonstrable harm to interests of acknowledged importance.

4. Authorities are obliged, under Article 7 of the General Development Order 1977, to give reasons whenever they refuse planning permission. Those reasons must be precise, specific and relevant to the application: they must demonstrate clearly why, in the local planning authority's view, the proposed development cannot be permitted. Without such a clear demonstration the developer will not know whether or not his proposal can be made acceptable, or the grounds on which he can base an appeal against refusal. As a result, valuable investment and new jobs, in construction, in commerce and in industry, may be delayed or lost.*

5. In dealing with applications for planning permission, Section 29(1) of the Town and Country Planning Act 1971 requires that the authority shall have regard to the provisions of the development plan, so far as material to the application, and to any other material considerations. Development plans are therefore one, but only one, of the material considerations that must be taken into account in dealing with planning applications. Many development plans were approved or adopted several years ago, often several years after they had been prepared and based on even earlier information. The policies which they contain, and the assumptions on which they were based, may therefore be out of date and not well related to today's conditions. They cannot be adapted rapidly to changing conditions, and they cannot be expected to anticipate every need or opportunity for economic development that may arise. They should not be regarded as overriding other material considerations, especially where the plan does not deal adequately with new types of development or is no longer relevant to today's needs and conditions - particularly the need to encourage employment and to provide the right conditions for economic growth.

* More detailed advice on the positive operation of development control is given in Circulars 22/80 and 16/84, and in relation to the use of conditions in Circular 1/85; advice on green belts is given in Circular 14/84.



NDRM
AT
4/7

~~CC 100~~

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

£ July 1985

Dear Lord Young

DEREGULATION

Geoffrey Howe sent me a copy of his minute to you of 28 June.

As regards the White Paper, I think that the feeling at the Prime Minister's meeting on Monday was that the chapter on Planning made a substantial and positive contribution to the theme of deregulation, and it also enables us to set out clearly our general approach to the way we want the planning system to operate. The circular on Development and Employment is to be issued concurrently and will also be reproduced as an annex to the White Paper.

As to Simplified Planning Zones, these will enable the type of planning regime applied to Enterprise Zones to be extended to other areas. Some 50 local authorities made proposals for Enterprise Zones that we were not able to accept and, while they were in no doubt chiefly attracted by the fiscal advantages of EZs, the new SPZ scheme will enable them to adopt the planning features of EZs which have been of benefit to developers.

The idea of conducting three or four pilot inquiries into the economic costs of the planning system matches up with a proposal that my Department is working on to commission a number of pilot studies of the effects of planning refusals in selected areas, particularly applications for industrial development. On average about 10% of all planning applications are refused and the purpose of these studies would be to find out what happened as a result of these refusals: were potential jobs and investment lost or did the applicant succeed with a revised application or find alternative premises or other ways of meeting his needs, and how many of these applications were allowed on appeal? Applications refused must represent a substantial part of the cost of planning control and also, presumably, its alleged benefits. An analysis of those refusals could prove to be the most direct and practical means of assessing those costs and benefits, and might also help to develop methods of monitoring the operation of the system.

There are difficulties in drawing the specification for such studies but the proposal is to launch two or three short pilot studies which should help to establish the basis for further work of this kind. It is hoped to initiate the first studies later this year.

Finally, as regards under-used publicly-owned land, the Land Register powers in the Local Government Planning and Land Act 1980 operate in the way that Geoffrey Howe envisages. Section 99 puts the onus on the public owner to show why a direction

sell should not be made. The powers that the Act provides
be effective, and I have recently initiated fifty more directions
to sell. I have also urged potential purchasers to come forward
and tell me of sites which they would be interested in buying,
and I am ready to add new sites to the Registers and to make
further directions to sell in response to such proposals.

You may also be aware that in the context of our Urban Housing
Renewal initiative, we are examining how best to get empty or
under-occupied council blocks back into use, and how best to
deal with long-term empty dwellings in the public sector (where
proportionately, central Government is a much worse offender
than local Government!)

I am copying this letter to the Prime Minister, the Lord President,
the Foreign Secretary, the Home Secretary, the Secretaries of
State for Trade and Industry and Employment, the Lord Privy
Seal, the Chief Whip, the Chancellor of the Duchy of Lancaster,
Tim Renton, David Trippier, members of MISC 114, Sir Robin Ibbs
and Sir Robert Armstrong.

Yours sincerely

Atkin

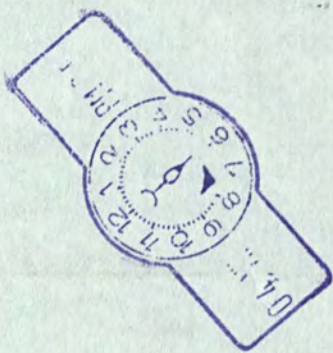
for

PATRICK JENKIN

*Approved by the Sfs and
signed in her absence*

Gulf Mach

PT 18



PRIME MINISTER

REVIEW OF OFFICE ACCOMMODATION AND MANAGEMENT

Lord Gowrie has submitted his report on the Review. The Review itself is at Flag A, his report, which summarises the Review, at Flag B, and his covering letter at Flag C. Sir Robin Ibbs' comments are at Flag D.

The Review identifies potential savings of up to £50 million a year which could be achieved through better departmental management of accommodation. It notes in particular that, while on the one hand there is over provision of expensive space, at the same time the working environment for civil servants is often tatty and depressing. Lord Gowrie proposes that you should welcome the Review and ask for action documents to be commissioned from all government departments. He also proposes the Review should be published, and that he should write a preface to it. Sir Robin Ibbs agrees, but also suggests that departments be asked to regard the three year implementation period as a maximum, and that an interim statement be required in two years' time on accommodation savings already achieved.

Content that I should respond to Lord Gowrie indicating:

- (i) you welcome the Review and wish action documents to be commissioned from all government departments within three months.
- (ii) That the Review should be published, and that he should write a preface.
- (iii) That MPO coordinate follow up and that a general progress report be prepared in 12 months.
- (iv) That the three year implementation period should be seen as marking the top end of the range, and you would like to see a short statement in two years of savings already achieved.

MEA

MARK ADDISON

4 July 1985

VC3AFI

Yes - Hartigan
ms

PRIME MINISTER

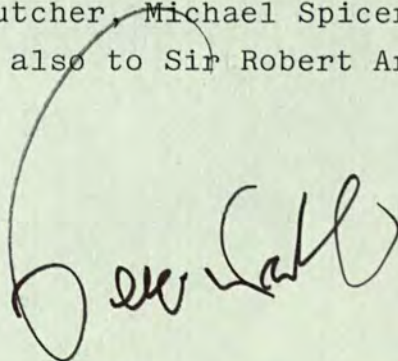
MULTI-DEPARTMENT REVIEW OF OFFICE ACCOMMODATION MANAGEMENT

I think the report on accommodation that Grey Gowrie sent you on 20 June is a useful and important one. I endorse the theme that we should shift resources away from larger office accommodation towards better maintenance, furnishing and decoration. In my own Department's case, I commissioned a detailed study by consultants last year which indicated that we should be able to get by with virtually half the space we currently occupy in our London Headquarters. But the corollary was that we should give more thought and money to the working environment.

The report offers some valuable insights into the shortcomings of the Property Repayment Services. While Patrick Jenkin's recent proposals for greater delegation to Departments go in the right direction, I share the view of those colleagues who see a case for more radical change both in PRS itself and in the relationship between PSA and Departments. I welcome the report's recommendation that the Inter-Departmental Committee on PRS should be widened to include the Departments which participated in the Review.

The Review suggests in passing (paragraph 3.19) that Departments should appoint energy managers to monitor energy and make recommendations on how energy can be saved. As you know I feel that this is an essential first step to greater involvement by Departments in their own energy use. This suggestion would have greater effect if it was included as one of the recommendations for action, and covered in the subsequent progress report. The potential savings are significant.

I am copying this to Grey Gowrie, Peter Rees, Patrick Jenkin, Tom King, Barney Hayhoe, John Moore, John Butcher, Michael Spicer, Rodney Elton and Jean Trumpington, with copies also to Sir Robert Armstrong and Sir Robin Ibbs.



Secretary of State for Energy
3 July 1985

605 MACH: Roger P. H.



COMMUNICATIONS



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

3rd July, 1985

John Mogg, Esq.,
Private Secretary to the
Secretary of State,
Department of Trade & Industry,
1 Victoria Street,
London, S.W.1.

Dear John

Lord Young will be answering the following question from
Lord Kennet in the House tomorrow, Thursday, 4th July:

"To ask HMG what are the terms of reference of the group of
Ministers, chaired by Lord Young of Graffham, which is
looking into deregulation; and what will be the scope of
the White Paper which may emerge from its work this
summer."

Lord Young proposes to answer as follows:

"The aims of the group of ministers I have been chairing
have been two-fold. First, to follow up the
recommendations of the Burdens on Business report which was
published in March by the Department of Trade & Industry
and which examined the impact of administrative and
legislative requirements on small firms. Second, to look
at ways of cutting the burdens which Government imposes on
business more generally. We are hoping to publish a White
Paper on deregulation before the summer recess. This will
include a wide range of measures to remove obstacles to
enterprise."

I should be grateful if you would let me have any comments
you might have by close of play today.

I am copying this letter to Andrew Turnbull (No. 10),
Margaret O'Mara (Chancellor's office), Alan Davis (DoE) and Paul
Thomas (Lord Gowrie's office).

Yours ever

Leigh Lewis

Leigh Lewis
Private Secretary

NBDM
15/5/85

cc NO



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

My ref:

Your ref:

3 July 1985

Dear Lord Young

DEREGULATION WHITE PAPER

Following Monday's meeting about the draft White Paper on deregulation I enclose amended versions of section 1 of the summary of proposals (chapter 2), chapter 3, and the circular on development and employment.

In order to accommodate the passage on rent deregulation (which would be inappropriate if incorporated with the material on planning) I have assumed that the better course is to amalgamate chapters 3, 4, 5 and 6 of the earlier draft as a Department of Environment chapter.

The text of chapter 3 has required a great deal of careful work by me and my officials in consultation with you and the Enterprise Unit. It contains much useful information about our recent action and our proposals to deregulate and improve the efficiency of the planning system. It is important that the chapter should be absolutely accurate. The timetable for publication is very tight. I think that it would be most unwise to attempt any redrafting now and I should certainly wish to agree personally to any changes which are proposed to be made to the enclosed text.

There is one matter on which I may need to suggest a further amendment: on 28 June I wrote to the Prime Minister about the timing of the proposed Written Answer making a statement on superstores on planning. I am not sure whether, under the present timetable, it will be practicable to make an answer before the White Paper is published, but if it is, a reference to it will be needed in the planning section of chapter 3. Clearly, this is a point which must be settled very shortly.

I am sending copies of this letter to the Prime Minister, the Lord Chancellor, Nicholas Edwards, George Younger, Norman Tebbit and Nigel Lawson.

Yours sincerely
for Alan
PATRICK JENKIN
Approved by the Rt Hon signed
in his absence

The Lord Young

CONFIDENTIAL

CHAPTER TWO

SUMMARY OF PROPOSALS

What the Government are doing -

1. DEPARTMENT OF THE ENVIRONMENT

i. PLANNING

- Giving strong guidance to local authorities on "Development and Employment".
- Introducing Simplified Planning Zones.
- Extending the General Development Order to permit more exemptions from the need for specific planning permission.
- Fundamentally reviewing the Use Classes Order.
- Reviewing the Control of Advertising Regulations.
- Issuing shortly in draft a new booklet for small firms explaining the planning system and giving clearer guidance on working from home.
- Introducing various amendments to the Town and Country Planning Act, including an extension of the power to award costs against authorities which act unreasonably.
- Improving the system of major public inquiries.
- Carrying out an efficiency review of measures to speed up written planning appeals.

ii. ENVIRONMENTAL CONTROL

- Reviewing local authority practice and court decisions, with the aim of preparing guidance to local authorities and making legislative changes if appropriate.

iii. BUILDING REGULATIONS

- Introducing simplified regulations, to come into force in November.
- Starting a further review, to cut scope of regulations where possible.

DEPARTMENT OF THE ENVIRONMENT

PLANNING

1. The town and country planning system has not changed in its essentials since it was established in 1947. In many ways it has served the country well and the Government has no intention of abolishing it. But it also imposes costs on the economy and constraints on enterprise that are not always justified by any real public benefit in the individual case. It can cause delay and uncertainty even where applications are eventually approved. Too often the very wide discretionary power that the system affords is used to apply excessively detailed and onerous controls of a kind that would not be tolerated in general legislation. If the system is to remain effective it must be used in a way that does not impose an unnecessary degree of regulation on firms and on individuals.

2. The Government's policy is to simplify the system and improve its efficiency. A good deal has been done but there is ample scope for further progress. An efficient and simple system can speed the planning process and facilitate much needed development which helps create jobs - in construction, in commerce and industry, and in small firms.

3. The Government is equally concerned to protect and enhance the environment in town and country, to preserve our heritage of historic buildings and rural landscape, to conserve good agricultural land and maintain the green belts. This too requires a planning system that works efficiently and effectively, and strikes the right balance between the needs of development and the interests of conservation. It is not to be regarded simply as a means of preventing change. Properly used, it can help to secure economy, efficiency and amenity in the development and use of land.

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4. It is an established principle of planning law that the developer is entitled to his permission unless there are sound relevant and clear-cut reasons for refusal: that is to say, permission is not to be refused for arbitrary or irrelevant reasons. Nor is the developer required to prove the case for the development he proposes to carry out; if the planning authority consider it necessary to refuse permission, the onus is on them to demonstrate clearly why the development cannot be permitted and the reasons must be precise, specific and relevant to the application.

5. There is therefore always a presumption in favour of development, unless that development would cause demonstrable harm to interests of acknowledged importance. These principles were clearly stated in a circular issued by the then Ministry of Town and Country Planning in 1949 and restated in a further circular in 1953, and amplified in Department of the Environment Circular 22/80, "Development Control: Policy and Practice". The Secretary of State for the Environment is issuing a new circular reaffirming these principles. It is reproduced in the Annex to this White Paper.

6. In line with this approach to the control of development, and in support of the general aim of deregulation, a number of other measures are being taken to simplify the planning system and reduce the burden of control:

- (i) It is proposed to introduce new legislation to permit the setting up of Simplified Planning Zones (SPZ) which will extend to other areas the type of planning regime already established in Enterprise Zones. This will enable the local planning authority to specify types of development allowed in an area, so that developers can then carry out development that conforms to the scheme without the need for a planning application and the related fee. Planning permission for other types of development can be applied for in the normal way. This type of planning scheme has proved to be effective and successful in Enterprise Zones and can provide a real stimulus to the redevelopment of derelict

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or unused land and buildings in areas that are badly in need of regeneration. In addition to providing local planning authorities with powers to introduce SPZ's, they will also be required to consider proposals for the establishment of SPZ's initiated by private developers. The Secretary of State would have reserve powers to direct the preparation of proposals for an SPZ, similar to those that he already has to direct the preparation of alterations to development plans.

- (ii) It is proposed to introduce a number of changes to the General Development Order which enables specified types of development to take place without the need to apply for planning permission. It is a useful method of deregulation within the planning system. Important changes of this kind were made in 1980 and 1981, and the Government is introducing this month a set of amendments to the GDO designed to facilitate modern developments in telecommunications. The Government proposes to introduce at the start of the next session a number of amendments to reduce regulation including:
- increasing the permitted limit on extensions of industrial buildings from 20% of cubic content (subject to an upper limit on the permitted increase in aggregate floorspace of 750 sq. m.) to 25% of cubic content (upper limit 1000sq. m.);
 - a new provision for the extension of warehousing to a level similar to that proposed for industrial buildings;
 - permission for DBS (direct broadcasting by satellite) aerials of up to 90 cm. diameter on houses;
 - permitted development rights for some exploratory operations for mineral workings.

- (iii) A review of the Use Classes Order (UCO) has been set in train and the results will be published for consultation later this year. The UCO enables land and buildings to be used for various purposes without the need for planning permission, and is thus a means of deregulation like the GDO. Unlike the GDO, however, the UCO has not been substantially changed since it was first introduced in 1948, and is clearly overdue for review in the light of today's conditions. In particular, it needs to take account of the requirements of the typical "high tech" firms where manufacturing, offices, research and development, warehousing and other activities may be carried on in a single building and where the mix of uses and space utilisation may need to be constantly changed and adapted to the needs of the business. Since the UCO is intended to permit and not restrict compatible uses, it is essential that it should be designed to do this effectively.
- (iv) The Control of Advertisement Regulations are also being reviewed in conjunction with representatives of the advertising industry and other interests. One aspect that warrants review is the signposting in rural areas of tourist facilities, hotel accommodation, craft workshops and similar establishments. While a proliferation of commercial advertisements in the countryside would obviously be deplored, it should not be necessary to subject simple directional signs to the same degree of control, provided that they do not create a traffic hazard.
- (v) Proposals have been published for a range of detailed but useful amendments to the Town and Country Planning Act 1971 designed to simplify some of its provisions and improve its procedures. It is hoped to introduce these in the next Session if the legislative programme permits. They include a proposal to extend to cases dealt with by written representations the Secretary of State's power to award costs where it has been shown that the authority has acted unreasonably.

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- (vi) Proposals have also been published for improving the conduct of major public inquiries, including provision for the pre-inquiry stages so as to simplify the proceedings and ensure that the time of the inquiry is used efficiently. These and other proposals designed to improve the efficiency of the inquiry process will be incorporated as necessary in the Inquiries Procedure Rules after consultation with the Council on Tribunals. The great majority of planning inquiries are completed within one or two days, and last year only 41 out of nearly 3000 inquiries lasted more than two weeks and only 20 lasted more than a month. The few major planning inquiries, however, and some other types of inquiry, can become extremely protracted and to the point where very few of those who wish to appear at the inquiry are able to follow the whole of its proceedings. These measures will help Inspectors at major inquiries to order the proceedings in a way that enables the main issues to be dealt with, and ensures that all those who have a contribution to make are able to do so, while avoiding undue complexity and delay in reaching decisions.
- (vii) It is proposed to issue a booklet to assist small firms to cope with the requirements of development control. This will supplement the booklets already published for householders and for industrial developers, and will be accompanied by a circular to local authorities. In particular the booklet and circular will clarify the position relating to working from home. Planning permission is not normally required where the use of part of a house for business purposes is clearly ancillary to its main use as a residence. It is reasonable that, where the business use becomes dominant or intrusive, planning permission should be required (and may be refused), but many small businesses begin as one-man firms working from home and can be carried on without any serious detriment to neighbouring property.

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It is sometimes suggested that even when activity is permitted under planning law the terms and conditions of the sale or of the tenancy, whether in the public or private sector, may nonetheless prevent it. In the case of the public sector some local housing authorities apply restrictions on working from home by means of provisions in tenancy agreements or by including restrictive covenants in sale documents. In the latter case, the right to buy provisions of the Housing Act 1980 require that any covenants imposed should be reasonable in the circumstances. In the Housing and Building Control Act 1984 provision is made for the Secretary of State to direct local authorities not to include certain covenants in their sale documents and to discharge or modify covenants in completed sales.

Some restrictions on tenants may be reasonable to preserve the character of the landlord's estate. But there may well be cases where such terms and conditions are unreasonable and are inhibiting tenants from using their homes to earn their living. There are at present no powers for the Secretary of State to control conditions in local authority tenancy agreements. The Secretary of State takes the view that landlords should not seek to impose restrictions on tenants working from home in cases where planning permission is either not required or has been granted, and this aspect will be dealt with in the circular to local authorities. More generally the Government is ready to examine any evidence of unreasonable terms and conditions in sale documents and tenancy agreements and would be prepared to consider amending the law if evidence of restrictions being used unreasonably is established.

Changes which the Government has made in Capital Gains Tax provisions mean that a person now starting a business at home should not normally need to face CGT as a result.

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7. All these proposals are aimed at improving the operation of the planning system. While many of them will contribute to deregulation, the Government is also concerned to ensure that the system is effective where careful control is warranted. To this end, proposals have been published for securing improved control over the storage of hazardous substances and it is hoped to introduce the necessary legislation in the next Session. Similarly, proposals have been published for extending the Landscape Areas Special Development Order to all National Parks. Proposals are being prepared, following consultation, to ensure better control over intensive livestock units.

8. Where serious environmental problems may be expected, it may still be possible for permission to be given but subject to suitable conditions to protect the environment. Where it is less certain that there will be problems the development should normally be allowed to proceed without onerous conditions. If subsequently there are shown to be serious environmental problems, the local authority could either take enforcement action (if there is shown to be a clear breach of planning law which cannot be corrected by negotiation with the business concerned) or take action against nuisance under the public health and control of pollution legislation. The Department of the Environment is to complete this year a review of the use and effects of the powers to control statutory nuisance, with the aim of preparing guidance and making legislative changes if appropriate.

9. In addition to pursuing the aim of deregulation and relieving the burden of unnecessary controls on business and small firms, the Government continues to attach the greatest importance to ensuring that, where effective control is warranted, the system operates as efficiently and promptly as possible. This applies to both planning applications and planning appeals.

10. The appeal process is a key component of the planning system and it is essential that those who are refused planning permission by the local planning authority should be able to take their case to appeal in the expectation that their case will be dealt with promptly. Although decision times on appeals have improved markedly compared to the position some years ago, there has been some deterioration over the past year or so as the volume of appeals has increased. Median decision times are capable of considerable improvement and, of course, half of all appeals exceed the median. The great majority of appeals (86% in 1984) are dealt with by the written representations procedure, which generally provides a simpler, quicker and less expensive process for the appellant. The Department of the Environment has set in train an Efficiency Scrutiny of this procedure with a view to establishing time targets against which performance can be monitored and to which possible procedural changes or increased resources can be related. Regular performance statistics will be published. There are no statutory powers at present to enforce time limits in the case of planning appeals dealt with by written representations and it is proposed to make such provision as part of the legislation referred to in para 6(v) above.

11. Local planning authorities' performance has improved over the past few years and 70% of applications are now decided within eight weeks compared to 60% in 1979. But some authorities consistently achieve 80% or more, while other authorities only 50% or less. Much can be done to propagate good practice and by simple procedural changes and effective use of information technology. The Department of the Environment is consulting the National Development Control Forum, representing local planning authorities, on the proposal to produce a Code of Practice which would establish a set of guidelines and time targets for the handling of planning applications.

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12. Development plans are a key component of the planning system since they provide a basis for the exercise of development control and can assist developers and the business community by providing them with some indicators to guide them in taking their decisions. Development plans include both structure plans and local plans; structure plans are intended to provide the broad policy framework and are prepared by the county planning authorities, while local plans are prepared by district councils for the whole or parts of their area. Inevitably plans become out-of-date and tend to lag behind current needs and conditions. In particular, the twin priorities of generating jobs and providing sufficient land for housing have not been reflected fully or quickly enough in structure plans and the planning decisions of local authorities. The new circular issued by the Secretary of State for the Environment (reproduced at Annex) accordingly makes it clear that development plans are one, but only one, of the material considerations that must be taken into account in dealing with planning applications.

It is also important that development plans should concentrate on the essential elements and the key planning issues, be well related to current trends in the economy and the factors that influence market demand, and be capable of rapid revision to meet changing circumstances. There is cause for concern that this process of plan review and up-dating is becoming too slow and cumbersome, partly because of the lengthy procedures involved and partly because of the increasing tendency to include in structure plans far too great a degree of detail and of a kind which is either not suitable for inclusion in structure plans or could be more appropriately dealt with in local plans or in published guidance for developers (eg. requirements for car parking etc).

The Government is giving further consideration to whether there should be changes in the content and procedures of development plans and in the relationship between development plans and development control.

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13. Finally, while deregulatory measures and procedural improvements are important, the key objective must be to keep the planning process simple - to avoid over-elaboration and unnecessary detail in development plans, and to concentrate on the essentials in dealing with applications, without complex and superfluous conditions. Deregulation does not imply only the abolition of unnecessary controls. It also means achieving simplicity and efficiency in the way that necessary control is carried out. Simplification, speed and efficiency do not mean dismantling the planning system but they are as relevant to planning as to all other forms of regulation and control. All those responsible for the operation of the system can help to achieve the improvements that are needed.

RENT DEREGULATION

14. A measure of deregulation for new lettings in the private rented housing sector would promote enterprise in a number of ways. It would encourage the owners to let, and stimulate the rented sector, which has been in a state of decline for far too long. It would encourage the conversion and construction of dwellings for rent. It would help to remedy the housing shortfall in certain areas of the country, such as London. It would improve labour mobility, so that people can move easily to jobs away from their present homes. At present both employees and employers suffer because there is no pool of accommodation for rent. The Government have explained why they are unlikely to proceed with legislation during the lifetime of the present Parliament but they hope when there is legislative time to introduce legislation to encourage the supply of more homes to rent in the private sector - in the interests of a balanced housing market and the promotion of enterprise.

BUILDING REGULATIONS

15. Since the publication in 1981 of the White Paper on the Future of Building Control in England and Wales, the Government have been engaged in a major overhaul of building control with the aim of simplifying the procedures, providing the option of private certification and removing unnecessary regulations.

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16. The first stage of this exercise will be completed in November when new building regulations will come into force. These will be much simpler in form than the current regulations, will give wider exemptions and simplified procedures for minor works and provide for private certification of approved inspectors. The bulk of the building regulations will be reduced from over 300 pages at present to some 30 pages.

17. After the new and much simplified regulations have come into force, the Government will start the next stage of the review. This will involve examining the requirements of the regulations, to see how far they can be reduced or dropped altogether. A consultative document will be issued by the Department of the Environment with proposals for further changes. Government's aim is that the regulations should be reduced to the minimum required to secure their essential function, which is the preservation of public health and safety.

18. In areas such as structural safety and fire precautions, there will be a need for substantial continued regulation. But the Government will examine carefully the possibilities of reducing the level of regulation in these areas, where this would not lead to increased risk to personal safety.

19. The building regulations currently cover other areas, such as sound insulation; energy conservation; hygiene (provision of bathrooms, food storage, etc); safety of stairways, ramps, etc; and ventilation and damp prevention. The Government believe that in some of these areas there may be scope for reducing substantially the extent of regulation or removing some of the regulations altogether. Where the operation of the market can be relied upon to ensure that acceptable standards are maintained, there is no case for regulation. The Government will aim to take decisions on reducing or abolishing regulations in these areas within twelve months.

CONFIDENTIAL

DRAFT
2.7.85

Circular
(Department of the Environment)
Circular
(Welsh Office)

Joint Circular from the
Department of the Environment
2 Marsham Street, London SW1P 3EB

Welsh Office
Cathays Park, Cardiff CF1 3NQ

DEVELOPMENT AND EMPLOYMENT

July 1985

1. The White Paper on Deregulation (Cmnd ...) sets out the Government's overall approach to reducing controls and regulations in the interests of promoting enterprise. Chapter 3 explains the action that the Government is taking to simplify the planning system and improve its efficiency, and relates this to the broader context. This circular (which is reproduced as an annex to the White Paper) deals with policy on development control under the Town and Country Planning Acts.
2. New development contributes to economic activity and to the provision of jobs. It is in the national interest to promote and encourage it. The planning system must respond positively and promptly to proposals for development. Delay adds to the costs of development.
3. Development proposals are not always acceptable. There are other important objectives to which the Government is firmly committed: the need to preserve our heritage, to improve the quality of the environment, to protect the green belts and conserve good agricultural land. The planning system, however, fails in its function whenever it prevents, inhibits or delays development which could reasonably have been permitted. There is therefore always a presumption in favour of allowing applications for development, having regard to all material considerations, unless that development would cause demonstrable harm to interests of acknowledged importance.

4. Authorities are obliged, under Article 7 of the General Development Order 1977, to give reasons whenever they refuse planning permission. Those reasons must be precise, specific and relevant to the application: they must demonstrate clearly why, in the local planning authority's view, the proposed development cannot be permitted. Without such a clear demonstration the developer will not know whether or not his proposal can be made acceptable, or the grounds on which he can base an appeal against refusal. As a result, valuable investment and new jobs, in construction, in commerce and in industry, may be delayed or lost.*

5. In dealing with applications for planning permission, Section 29(1) of the Town and Country Planning Act 1971 requires that the authority shall have regard to the provisions of the development plan, so far as material to the application, and to any other material considerations. Development plans are therefore one, but only one, of the material considerations that must be taken into account in dealing with planning applications. Many development plans were approved or adopted several years ago, often several years after they had been prepared and based on even earlier information. The policies which they contain, and the assumptions on which they were based, may therefore be out of date and not well related to today's conditions. They cannot be adapted rapidly to changing conditions, and they cannot be expected to anticipate every need or opportunity for economic development that may arise. They should not be regarded as overriding other material considerations, especially where the plan does not deal adequately with new types of development or is no longer relevant to today's needs and conditions - particularly the need to encourage employment and to provide the right conditions for economic growth.

* More detailed advice on the positive operation of development control is given in Circulars 22/80 and 16/84, and in relation to the use of conditions in Circular 1/85; advice on green belts is given in Circular 14/84.

CONFIDENTIAL

6. It is important that local planning authorities should have regard to the special needs of small firms and the self-employed.

The planning system can present serious difficulties for those seeking to set up or expand their business, even on a very modest scale. Local authorities can do much to help both in assisting small firms to cope with the planning process and by avoiding unnecessarily onerous and complex controls. The Department of the Environment, in consultation with the Local Authority Associations, will be issuing a further circular on this subject, together with an explanatory booklet for small firms.

7. The Secretaries of State and their Inspectors will have regard to the terms of this circular in dealing with planning appeals and with any application that may be made to them for the award of costs.

Court. Mach. : Raynes A 18.

Subject cc
maister

VC



FILE

B/C MR WARRY

10 DOWNING STREET

bcc MAFF, Energy, Transport
50, W0, N10 (2/7)

1 July 1985

From the Private Secretary

Dear Layt

DEREGULATION

The Prime Minister held a meeting today to discuss the draft White Paper on Deregulation. Present were the Home Secretary, the Chancellor of the Exchequer, the Secretaries of State for Environment, Trade and Industry, and Employment, the Lord Privy Seal, the Chancellor of the Duchy of Lancaster, the Minister without Portfolio, the Chief Whip, the Minister for Health, Mr. Trippier and Mr. Renton. Also present were Sir Robert Armstrong, Sir Robin Ibbes and Mr. Wiggins (Cabinet Office), Mr. Twyman (Efficiency Unit) and Mr. Warry (Policy Unit).

The Minister without Portfolio said that, following the publication of the Burdens on Business Report he had established a group to consider how to implement its findings. The aim was to produce a package of measures which would provide tangible help for business, and in particular small business, without raising alarm that the Government was removing valued safeguards and protections. The group had agreed that deregulation should be seen as a continuing programme and that the establishment of a permanent central unit, located in the Cabinet Office, was desirable. Responsibility for regulations, and for seeing that their impact was fully assessed, must remain with departments but a central unit could have an important role in providing advice on compliance costs, in maintaining the momentum of deregulation and in monitoring progress. It could also, selectively, pick out areas of regulation for special attention.

The Minister without Portfolio said he had agreed with the Secretary of State for Trade and Industry that, rather than a special review after a year, the Consumer Credit regulations should be kept under continuous review. After discussion with the Home Secretary, it had been agreed that the White Paper should not canvass a relaxation of controls on late night refreshment houses and that regulations concerned with the maintenance of law and order and the safety and protection of the public should be excluded from the scope of the central unit's work.

In discussion, there was agreement on the establishment of a central unit provided it did not usurp departmental

R57

responsibility for regulations. While the Minister without Portfolio would be able to answer for the unit in the Lords, the Minister of State, Treasury, should answer for it in the Commons. The Prime Minister said that in addition to what was said about the unit in the White Paper, colleagues would like to have a fuller statement of its terms of reference. The Minister without Portfolio agreed to circulate this.

Discussion then turned to the subject chapters of the White Paper. It was felt that the style varied and would benefit from being edited by a single hand, both to ensure consistency and to sharpen the presentation. The Minister without Portfolio undertook this task.

The following additional points were made:

- (i) The draft chapter on environment was likely to cause alarm without proposing any major advance. The chapter should be absorbed into that on planning.
- (ii) The agreement on statutory sick pay was that the Government would consult about allowing employers to opt out if they provided an equivalent benefit.
- (iii) There was an inconsistency between the substantial benefits claimed for deregulation of rents and the lack of Government response. It was agreed that this should be dropped as a separate chapter and that a reference to the Government's ultimate intention of introducing legislation should be included elsewhere.
- (iv) The White Paper came on top of a substantial programme of deregulation and abolition of controls. An annex should be prepared setting out what had been achieved already and the extent to which this had benefitted small businesses. The earlier chapters should contain a reference to the annex.
- (v) The Chancellor of the Exchequer said that, despite the loss of revenue involved, he favoured a substantial increase in the VAT threshold though he advised against quantifying the Government's objective. It was noted that some sectors, such as construction, opposed raising the limit. One possibility would be to retain a lower limit for this sector.

On wages councils, the Prime Minister said the Secretary of State for Employment would shortly be consulting a number of colleagues before bringing forward proposals. It was noted that the Health and Safety Commission had, until recently, a programme for reviewing and consolidating the various acts and statutory instruments in force before the Health and Safety At Work Act 1974 was implemented. This programme had been put into abeyance and resources transferred elsewhere within the Commission. It was agreed that the Secretary of State for Employment would

examine the case for re-establishing such a programme as part of his review of the working of the Act.

Summing up the discussion, the Prime Minister invited the Minister without Portfolio to undertake a redraft of the White Paper. This should be circulated to colleagues for clearance in correspondence, in time for publication in mid-July. The Minister without Portfolio should also circulate to colleagues a note on the terms of reference of the central unit on deregulation.

I am copying this letter to Hugh Taylor (Home Office), Rachel Lomax (HM Treasury), John Ballard (DOE), John Mogg (Department of Trade and Industry), David Normington (Department of Employment), David Morris (Lord Privy Seal's Office), Paul Thomas (Chancellor of the Duchy of Lancaster's Office), Murdo Maclean (Chief Whip's Office), Sarah Bateman (Office of the Minister for Health), the Private Secretaries to Mr. Trippier and Mr. Renton, Richard Hatfield (Cabinet Office) and Ian Beesley (Efficiency Unit).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Leigh Lewis, Esq.,
Office of the Minister without Portfolio

cc 10

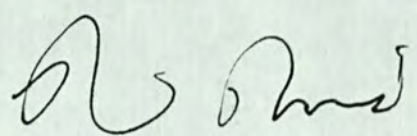
NBPM

AS 2/7

01 211 6402

The Rt Hon Lord Young of Graffham
Minister Without Portfolio
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

1 July 1985



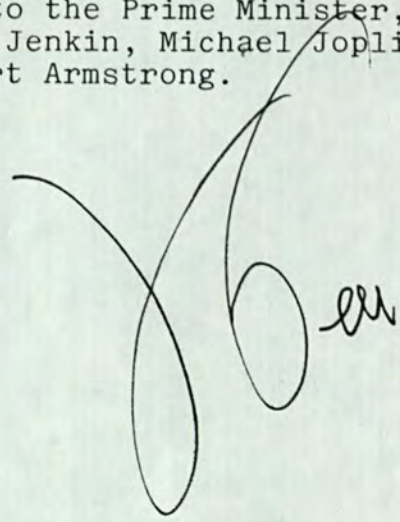
DEREGULATION

I have just seen a copy of the draft White Paper on Deregulation, circulated under cover of your Private Secretary's letter of 28 June.

In view of our recent correspondence I am very concerned that, in Chapter 5, energy conservation is mentioned as an area where there may be scope for substantial relaxation of the building regulations. I am sure that this would be a fundamentally retrograde step, for the simple reason that the concept of cost-effectiveness is at the heart of this part of the building regulations. Because they ensure that minimum energy efficiency standards are incorporated in new buildings the energy conservation provisions are, as I pointed out in my letter of 21 June, of real economic benefit.

I hope that the present drafting of Chapter 5 reflects no more than the physical difficulty of revising it in time for the MISC 114 meeting which I understand has been arranged for today. I should much appreciate an assurance that it will be suitably amended before publication. Detailed comments are in the attached Annex.

I am copying this letter to the Prime Minister, George Younger, Nicholas Edwards, Patrick Jenkin, Michael Jopling, Nicholas Ridley, Douglas Hurd and Sir Robert Armstrong.



PETER WALKER

Govt. Machinery: Kaynes #18.



CONFIDENTIAL

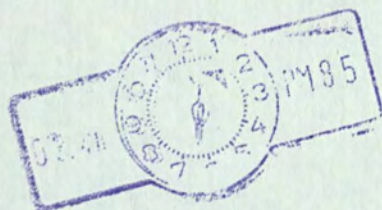
DRAFT WHITE PAPER ON DEREGULATION

COMMENTS ON CHAPTER 5 : "BUILDING REGULATIONS"

- Para 3 : A further essential function should be mentioned: to set basic standards of cost-effective energy efficiency.
- Para 5 : The reference to "energy conservation" should be deleted.

DEPARTMENT OF ENERGY
1 JULY 1985

Enclosure to Peter Walker's letter
of 1 July to Lord Young





CF
Figures...
...
JUL 3/85

PRIME MINISTER

REVIEW OF OFFICE ACCOMMODATION MANAGEMENT

I have seen a copy of Grey Gowrie's report to you on the multi-department review of office accommodation. This is an important if unexciting subject and it is clear that there are substantial savings to be had.

Departments and PSA will have to set themselves tough targets and work towards them with a much greater sense of urgency and energy than they currently show in accommodation matters. They should concentrate particularly on reducing space in London where costs are highest and they should go on looking for continued savings after the first three year target period is up. As always your known interest will be crucial. I suggest that you ask all departments and the PSA to let you have a short interim statement in two years time of accommodation savings already achieved.

Accommodation savings should not mean that civil servants work in squalid surroundings as, on the evidence in the report, too many do at present. If their space saving targets are tough enough, I believe departments should be allowed a proportion of the savings actually achieved to spend on improving the quality of their offices.

My advice is that you should approve the report and publication and urge Departments to produce action plans and start implementation as swiftly as possible. They should regard the three years for implementation as a maximum and aim to get results more quickly.

I am copying this to Robert Armstrong.

ROBIN IBBS
1 July 1985



Andrew Turnbull
No. 10

**OFFICE OF THE
MINISTER WITHOUT PORTFOLIO**

**With the compliments of the
Principal Private Secretary**

As promised.

Reginald Lewis

*NB. This was no more
than a background
note, not a fully
worked out cleared
version.*

1/7

**Cabinet Office
70 Whitehall, London SW1A 2AS
Telephone 01 233 3299**

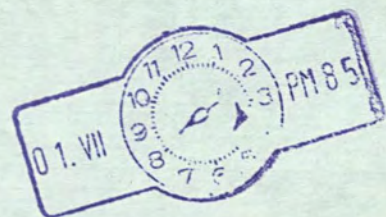
CONFIDENTIAL

NEW ARRANGEMENTS

Detailed arrangements will be worked out later in consultation with Departments, including MPO and Efficiency Unit but the basic structure would be as follows.

The Departments will carry out their own compliance cost analyses and consult business. Each regulatory division/section will do this for each of their regulatory proposals. Departments will need to have a central point - one or more officials - who will coordinate this activity and, if their ministers so wish, "vet" the proposals and the assessment. New staff would probably not be required: some of this goes on already. Where it does not, some functions can be revised. The central points in each Department will liaise with the task force. They would prepare 6-monthly reports - looking forward to proposals likely to come up and backwards to what has been achieved.

The Central Task Force would provide advice and expertise to Departments about compliance cost analyses (it will have some expertise and will have useful private sector involvement). It will assist Departments in the preparation of their assessments. It will receive the 6-monthly reports, review past performance, and, selectively, pick out proposals in the pipeline for special attention. In a very few cases it may feel that an assessment is inadequate in which case it will seek to resolve differences at official level, bringing in ministers only when absolutely necessary. It will carry out occasional reviews of particular subjects (eg of licensing, etc systems).





CONFIDENTIAL

PRIME MINISTERDeregulationMinute dated 26 June from the Minister without Portfolio and the draft
of the Deregulation White Paper

BACKGROUND

1. You chaired a meeting on 26 February to consider the follow-up to the Central Report of the Scrutiny of Burdens on Business. That meeting concluded that the Scrutiny Report should be published (which was done on 29 March) and that a Group chaired by Lord Young (MISC 114) should consider what follow-up action should be taken and more generally how the burden of regulation on the economy could be kept to a minimum.

2. MISC 114 has now met seven times and has surveyed each of the main areas identified in the Scrutiny Report as priorities for action: Value Added Tax (VAT); the Pay As You Earn/National Insurance systems; statutory sick pay; planning control; building regulations; fire prevention requirements; health and safety at work; terms and conditions of employment; company law; and consumer law; as well as a number of more minor areas. The Group has also considered possible permanent arrangements for scrutinising proposed regulations.

A
... 3. Lord Young's minute reports the Group's main recommendations, and sets out, in paragraph 8, four areas on which Lord Young suggests it might be possible to go further than has so far been agreed. The draft White Paper, which has been largely cleared bilaterally with departments, has been circulated as a background document.

MAIN ISSUES

4. The main issues are:

- (a) has there been sufficient progress to make an attractive deregulation package suitable for publication in a White Paper?



(b) Are any of the proposals such, in terms of substance or presentation, that Parliament or the public will consider deregulation has been taken too far?

(c) Should a central unit be established to monitor regulations in future? and

(d) how should the remaining issues be resolved?

The draft White Paper was circulated only today (Friday): Ministers will therefore need to be given a chance to consider it in detail following the meeting.

The Deregulation Package

5. The scrutiny concluded that regulatory burdens must be tackled across the board, and that much of the problem derives from the cumulative impact of requirements which in isolation might seem reasonable and modest in the burden they impose. MISC 114 therefore looked at many detailed issues, some of which might in isolation appear insignificant. The draft White Paper contains few measures which could be claimed as a major advances in isolation. Four of the eight key proposals listed in paragraph 4 of Lord Young's minute are in the Town and Country planning field (and one other - on building regulations - is a Department of Environment responsibility too). MISC 114 was unable to identify any very major proposals to simplify any of the other eight main areas of regulation, other than the possibility of raising the VAT threshold and of eliminating the statutory audit requirements on small companies. (Proposal (g) - allowing employers to opt out of the Statutory Sick Pay scheme has not been agreed: the Social Services Secretary has, however, agreed to consult on the possibility). Chapter 2 of the draft White Paper summarises all the proposals.

6. In some areas it became clear that the burden imposed by regulation was more imaginary than real, although some regulations may be so daunting that potential entrepreneurs never start (or remain in the black economy). The White Paper attempts to put the problem in perspective,



and to some extent risks attempting to justify the status quo. In other areas it has not been possible to reach final decisions in the period since March because outside consultations are necessary. Here the White Paper indicates that the Government is prepared to consider changes, but again this promise of hope for tomorrow weakens slightly the immediate impact. In yet other areas the White Paper canvasses possibilities for deregulation which Departmental Ministers have not thought worth pursuing on the grounds that the regulations impose no burden; this will effectively invite businesses to challenge departments' judgement.

7. In summary, although it cannot be claimed that the White Paper represents a major sweeping away of Government regulations, it does contain a worthwhile number of proposals which will be very helpful to small businesses, and it holds out the hope of new attitudes for the future.

Presentation

8. There have been fears in Parliament and more widely that deregulation could result in an unacceptable reduction in standards of public protection or a weakening of control over undesirable development (for example, in the Green Belt). The White Paper aims to create a climate favourable to greater deregulation by stressing that the price of regulation is jobs. It recognises that there must be a balance between liberty and licence, and that the Government's aim is not to create scope for abuse, and indeed in a few areas (for example the Keith Committee recommendations on VAT collection and enforcement) it endorses the need for more stringent enforcement. Lord Young's view is that by presenting a package of deregulation as an essential component of the Government's economic policies it will be easier to secure support, or at least minimise opposition, to proposals which in isolation might be controversial.

9. The most sensitive issues are likely to be those related to Town and Country Planning, (including Simplified Planning Zones,) changes to the General Development Order, (and the new Circular on 'Planning and Enterprise'.) Earlier proposals which were interpreted (wrongly) as a relaxation of the protection of the Green Belt engendered substantial opposition from the Government's supporters.



Possible Permanent Arrangements

10. The scrutiny recommended that there should be a structured analysis of any proposed new regulation, including a systematic assessment of its impact on business enterprise, and that there should be a small task force in central Government to oversee both regulations in the pipeline and the scope for eliminating or simplifying existing requirements. When this was discussed in MISC 114, there was a fear from some departments that a central unit would increase bureaucracy and would remove the primary responsibility from departments to exercise firm internal control over new regulations. A majority of the Group, however, believed that on past evidence, both in the United Kingdom and abroad, no significant impact could be made on the burden of regulation without a mechanism for external challenge.

11. Lord Young is therefore proposing that while Departments should maintain primary responsibility for assessing the impact of their own regulations he should have within his Enterprise Unit a small unit to act as a central team. It is proposed that this team should work in co-operation with Departments, and that its authority should derive from the fact that it reports to a Cabinet Minister rather than through a formal power of veto. Since the UK has urged the European Community to establish a similar mechanism itself, it can hardly be seen to be doing less domestically. This does, however, raise questions of machinery of Government, on which the Cabinet Secretary has offered advice (Minute A85/1760, dated 27 June). See Robin Ibbot comments as also enclosed

The European Dimension

12. You raised deregulation at both the March and June meetings of the European Council. There are encouraging signs that the Commission will take this seriously, including setting up a central scrutiny unit, although it remains to be seen whether they will abandon some of the more burdensome directives in the pipeline. If the UK's views are to carry weight in Europe it is important that the Government should be seen to be tackling the burden of domestic regulation vigorously.



Outstanding Issues

13. Paragraph 8 of Lord Young's note lists four items on which it might be possible to go further than has so far been agreed. You will wish to hear the advantages and disadvantages of each of these. The following points are relevant:

(a) Wages Councils. Lord Young is not seeking a substantive decision from the present meeting, but would like agreement that such a decision should be reached within the next fortnight. If E(A) on 10 July (or Cabinet the following day) reached a decision it could be announced in parallel with the White Paper, thus increasing the impact. The question whether the Government should announce its conclusions now or after the recess is primarily political.

Mr King is coming to see you at 10.00am to discuss this.

(b) Health and Safety at Work. The Health and Safety Commission (HSC) had a programme of reviewing and consolidating the various acts and statutory instruments enforce before the Health and Safety at Work Act 1974 was implemented. This programme has effectively been put into abeyance, because the Commission's resources have been cut and a number of urgent problems (for example asbestos) have claimed higher priority. To reinstate it would require a switch or increase in resources.

(c) Consumer Credit. The final provisions of the Consumer Credit Act 1974 have only just come into operation. Department of Trade and Industry Ministers have promised to consider and act upon any particular problems which are drawn to their attention, and also to undertake a full review after a period to allow business to become use to the new regime. Lord Young, however, would like to hold out the promise of a much sooner general review of the Act's provisions.

(d) Late Night Refreshment Houses. Although the restrictions on shop hours generally will be lifted following legislation next session, the particular restrictions over late night refreshment houses will remain. The regulations are for the benefit of public order.



(particularly where alcoholic drinks are involved) and to prevent nuisance to residents). The Home Office, who are responsible, are not aware of any particular problem, but the Ministry of Agriculture, Fisheries and Food, who sponsor the food industry, have drawn attention to the difficulties the regulations cause for operators. While it is accepted that it would be inappropriate to allow unrestricted operation in residential areas, there is a case for deregulation in town centres and areas used for shopping or entertainment.

HANDLING

14. You will wish to invite Lord Young to report on the outcome of MISC 114 and to introduce his minute. The Secretary of State for Trade and Industry, who has formal responsibility for small firms policy, will wish to speak on the package in general, and the Lord Privy Seal and Chief Whip will wish to address the presentational issues. The Secretary of State for the Environment (in respect of planning and building regulations), the Chancellor of the Exchequer (in respect of income tax and VAT), the Secretary of State for Employment (in respect of employment protection), the Secretary of State for Social Services (in respect of statutory sick pay), and the Home Secretary (fire regulations) may wish to comment on particular proposals. On the particular areas identified in paragraph 8, Lord Young will in each case wish to introduce the issue, and the Secretary of State for Employment, (on the Wages Council and Health and Safety at Work points), the Secretary of State for Trade and Industry (on consumer credit) and the Home Secretary (on late night refreshment houses) will wish to respond. - His views (angry) at Flag E

Foreign
Secretary's
views on
Flag D

CONCLUSIONS

15. You will wish to reach decisions on whether:

- (i) the proposed package represents an adequate response to the burdens on business scrutiny;
- (ii) there are any proposals contained within it which will give rise to parliamentary or public concern;



- (iii) there should be a central unit to continue the deregulation drive, and if so its location and terms of reference;
- (iv) any of the specific points on which Lord Young has suggested it might be possible to go further should be pursued;
- (v) to invite Departmental Ministers to make specific comments to Lord Young on the detailed text within the next few days;
- (vi) to agree to publication of the White Paper in mid-July subject to agreement of a final draft in correspondence, or, if this cannot be agreed, to remit a final decision to E(A) on 10 July when a final draft will be available.

A handwritten signature in black ink, appearing to be 'JUN' or similar, written in a cursive style.

J B UNWIN
Cabinet Office
28 June 1985

DEREGULATION

Publication of the Burdens on Business Scrutiny Report and press comment about Lord Young's work in this area has created a major expectation that the Government is about to take action. The first chapter of MISC 114's draft White Paper makes clear we do have achievements to report, and we are tackling important issues such as Wages Councils.

Chapter 2 of the White Paper lists the Group's 62 proposals, these are tabulated in our Annex 1. Only 5 of the proposals can be classed as major new initiatives and only a further 12 as minor actions. Of the rest, 17 relate to new internal guidance or better information to the businessman and 24 are promises for the future to review, consult or consider.

Compared to the recommendations in the published Scrutiny Report (Annex 2) the White Paper will look weak. In particular Annex 1 shows clearly that little is being done on VAT, employment protection or the general area of PAYE/NIC/SSP which employers find most burdensome. (See Annex 3).

Many of the proposals in the Scrutiny Report have been lost and virtually no new ones added. Even the E(A) proposal that industrial tribunal complainants should make a cash deposit if they continued after an adverse pre-hearing assessment has been vetoed by D/Employment. *and the Law Officers*

A central unit within the Enterprise Unit to assist departments and ensure best practice in performing their own cost-benefit analysis on new regulations will help prevent a further increase in burdens, but clearly much more could be done to tackle existing burdens and Annex 4 sets out an agenda for future work.

There are two choices:

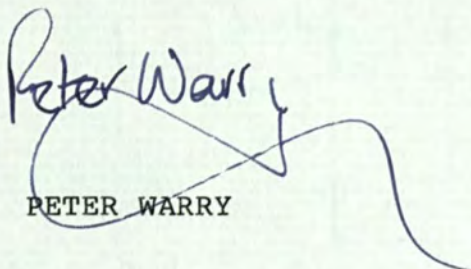
1. Publish the White Paper broadly as proposed and risk criticism that it is a timid response to the Scrutiny Report, concentrating only on slackening the planning controls which are necessary to safeguard our environment.

Or

2. delay the White Paper and risk press reports of 'a Cabinet split' and back-sliding on even the small ground that has been gained.

Provided it is clearly stated that the White Paper is only an initial response and the fight for deregulation goes on, then we strongly favour publishing the White Paper.

To ensure that further progress is made (and to monitor delivery of the promises already made) you may want to set a Christmas deadline for a second report to E(A). The list in Annex 4 could be a starting point. But MISC 114 may be too light-weight to achieve measures which the departments concerned will strongly resist: perhaps a Star Chamber with Lord Whitelaw, Norman Tebbit and David Young may be better.



PETER WARRY

SUMMARY OF MISC 114 PROPOSALS

	PLANNING ETC	DTI	CUSTOMS & EXCISE	REVENUE/ DHSS	DHSS	EMPLOYMENT	HOME OFFICE	TOTAL
<u>ACTIONS:</u>								
MAJOR	3	2	0	0	0	0	0	5
MINOR	2	3	3	1	0	3	0	12
<u>GUIDANCE ETC:</u>								
NEW GUIDANCE	1	0	0	1	0	4	1	7
BETTER INFORMATION	1	0	1	3	1	4	0	10
<u>REVIEWS ETC:</u>								
REVIEWS	5	1	1	0	1	1	1	10
CONSULTATIONS	0	2	1*	1	2	0	0	6
CONSIDERATION	0	0	1	1	1	2	3	8
TOTAL	12	8	7	7	5	14	5	58

Actions already
announced included
in White Paper
(but not above)

1	0	1	0	0	0	1	1
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* Consulting European partners about raising VAT threshold.

Chapter 4

Action to cut the burden:
changes in requirements

Following (sections 4.1–4.4) is a check list summarising the main options for change in existing requirements emerging from our detailed studies in seven Departments. We recommend urgent follow-up work (including where necessary consultations with the outside interests concerned) as a basis for Ministerial decisions on the scope for action in these areas.

4.1 VAT, PAYE, NIC,
SSP

- *put the PAYE system on to a non-cumulative basis.* This would be a far-reaching change with wide implications for all employers and employees. But it could open the way to putting the NIC and PAYE calculations side by side in the same deduction tables, which would help small employers. Work on this should be taken forward in the general context of the Government's consideration of personal taxation.
- *take more small businesses out of the VAT net.* Though further exemptions have drawbacks, VAT imposes significant compliance costs on small firms. *But* there is a major EC constraint. Early decisions are needed on the possibility of tackling this (7.4 below);
- improve '*bad debt relief*' in the VAT system (which will reduce concerns we found in a number of small manufacturing firms); and introduce a *monthly payment plan*, to help very small businesses with VAT;
- *make SSP easier to integrate with firms' existing pay-rolling systems*, by simplifying administrative procedures on 'qualifying periods'; and *allow businesses to opt out of the SSP system* where they prefer to pay sick employees at the appropriate rate without refund;
- reduce the present *multiplicity of NIC rates*.

4.2 Planning, fire and
building
requirements

- cut planning burdens by speeding up local decisions on small developments; and by legislating to introduce *Simplified Planning Zones*, building on – but extending – experience with Enterprise Zones; make it easier for firms to *change the use of commercial premises*; and assist people *starting small businesses in their own homes*;
- *rationalise the building regulations*, with particular reference to the conversion of existing buildings for commercial use; and to the detailed requirements on fire precautions and on energy saving;
- *increase flexibility in the application of fire precautions* to premises presenting minimal fire risk. (Creation of a general statutory duty on fire precautions, under the new legislation envisaged to replace the Fire Precautions Act 1971, could assist the introduction of more flexible arrangements.)

4.3 Employment
protection, Wages
Councils, Health and
Safety at Work

- *increase employees' qualifying periods* in unfair dismissal cases from 1 to 2 years, in firms employing over 20. Our field work confirmed that the present 1 year period is too short for many smaller businesses, and is distorting dismissal decisions;
- *redress the balance in unfair dismissal cases* by further action to discourage ill-founded complaints (eg a scheme for cash deposits from some or all complainants to be refunded or forfeited at the discretion of the industrial tribunal). We found significant concern among small businesses with experience of unfair dismissal law that the present system is unduly slanted against the employer;

- *make tribunal proceedings quicker and more efficient* by reducing legalism in the present system. We found significant concern about the scale and nature of the demands made at present on management resources in unfair dismissal cases;
- abolish or drastically relax *Wages Councils' controls over young people's wages*, which price some of them out of jobs.
- simplify and rationalise, without loss of essential protections, *statutory health and safety provisions*, which are unnecessarily complicated; and eliminate some inessential requirements (eg restrictions on women's hours of work; notification of the employment of young people in factories; posting of extracts of legislation).

4.4 Company and consumer law

- *eliminate the present statutory audit of accounts for 'shareholder-managed' small businesses*; reduce and simplify the *content of accounts and balance sheets* required from small firms at present; and simplify the *'annual return'* requirements;
- put greater emphasis on 'self-certification' systems in the enforcement of *weights and measures* requirements; use the planned introduction of a new 'general statutory duty' on *product safety* as a basis for containing detailed regulations in this area; and, in the longer term, simplify and rationalise requirements on *consumer credit* (the immediate priority in this area is a period of stability in the present law).

4.5 General points

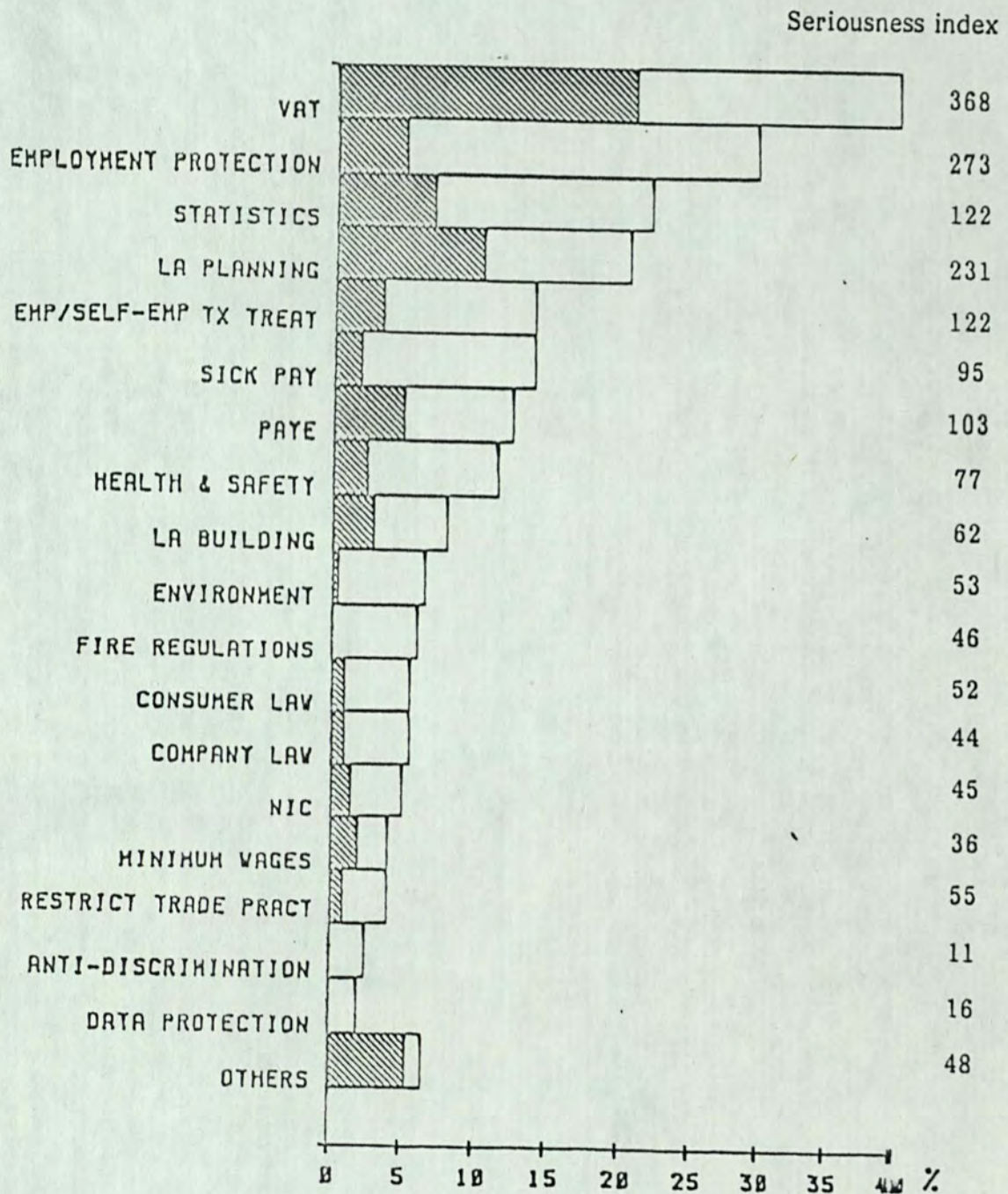
- 4.5.1 Three general points emerge from our studies of individual requirements.
- 4.5.2 The first touches the use, where regulation is unavoidable, of *general statutory duties* as an alternative to detailed controls through secondary legislation. Such duties allow business maximum freedom in the choice of means to meet prescribed ends. But their value depends critically on:
- establishing unequivocally that compliance and other costs must be taken fully into account in determining what in practice the duty requires businesses to do;
 - developing flexible codes to give detailed guidance on how businesses may comply (with maximum reliance on input from business itself; a clear distinction between recommendations on best practice and statements of minimum necessary standards; and short summaries of key points for small businesses);
 - cutting back – and controlling the future growth of – detailed regulation in the area concerned.
- 4.5.3 Secondly, we recommend reliance wherever possible on *'self-certification'* by firms themselves, as an alternative to mandatory inspections/tests/verification by enforcement authorities before business operations are permitted to go ahead. In fields like weights and measures, building controls and fire prevention, self-certification arrangements – backed by positive guidance and support from enforcement authorities – can cut both compliance and enforcement costs.
- 4.5.4 Thirdly, we recommend a *critical general review of licensing requirements*, an illustrative list of which is at Appendix 5.
- 4.5.5 Licensing – which makes it unlawful to trade without Government permission – is an exceptionally stringent method of regulation. It tends to maximise the power of the regulator over the regulated. And, by

creating controls over market entry, it can inhibit enterprise and competition. Its use is warranted only if the end in view is of overriding importance, and cannot adequately be achieved by other less onerous means.

4.6 Other matters

4.6.1 Appendix 6 suggests further work on some other detailed issues. These include the requirements deriving from local authority private Acts and byelaws.

BUSINESSMEN'S WEIGHTINGS OF GOVERNMENT BURDENS



POSSIBLE MAJOR DEREGULATION INITIATIVES

A. PAYE/NIC/SSP/VAT

1. In their Autumn Green Paper Treasury will include proposals on non-cumulative PAYE and some schemes to alleviate the problem of the self-employment boundary line.
2. Currently employers are responsible for administering statutory sick pay, redundancy payments, maternity payments and industrial injuries compensation on behalf of the government for which they are reimbursed (in part or whole) for each individual payment. Much bureaucratic churning could be avoided if, in return for a reduction in NIC rates, employers were allowed to run any scheme they chose provided it gave benefits at least as good as the Government scheme.

This would eliminate a heavy administrative burden on employers and reduce NIC rates. It would be timely given the recent changes in NIC rates and those necessary for SERPS. It could also be linked to the change in NIC rates necessary if a common definition of pay is introduced for calculating both PAYE and NIC.

3. Simple changes to the PIID expense reporting procedure could dramatically reduce this widely disliked burden.
4. Give VAT bad debt relief whenever a company ceases trading still owing money, and not just in the minority of cases where someone has gone to the expense of putting it into receivership (or its equivalent).

B. EMPLOYMENT LAW

1. Reinstate the E(A) proposal for cash deposits for industrial tribunal claimants proceeding after an adverse pre-hearing assessment.

2. Remove the right to time off with pay for union duties.
3. Deregulate employment agencies.

C. HEALTH AND SAFETY

1. Limit the annual number of new regulations and set an annual target for the elimination of redundant regulations.
2. Consolidate the proliferation of different notification requirements.

D. GENERAL

1. Review of all licences in order to eliminate those that stifle competition or serve no purpose (eg duties to provide hygienic premises, wholesome food and safe goods already exist and a licence only adds bureaucracy). Any remaining licences should be consolidated such that no supermarket should require more than one licence.
2. Review the role of all inspectors and enforcing agencies in order to minimise overlap, and by giving less narrow responsibilities encourage a broader appreciation of business needs.
3. Introduce appeals procedures into all enforcing agencies (including Inland Revenue and Customs and Excise) such that a vent is available for customer frustration and a check placed on unfettered authority.
4. All inspectors that can require businesses to undertake work (eg on fire safety) should have to indicate the rough costs for the work they propose. The total costs of individual inspectors could then be calculated annually.

Ref. A085/1760

PRIME MINISTER

Deregulation

A One of the proposals in Lord Young's minute to you of 26 June involves a machinery of government change - the creation of a new central task force within, but separately identifiable from, the existing Enterprise Unit.

2. I think that there is a good case for a small team to maintain the momentum of deregulation work. It could be a unit within the Department of Trade and Industry, which has the "lead" responsibility in relation to industry and business. But it probably makes sense, at least initially, to have a central unit reporting to Lord Young as the Minister who has taken the lead on deregulation so far. There are one or two points you may wish to consider further.

C 3. First, there is a risk that the creation of another central unit will cause confusion about the relative responsibilities of Departments and the unit, as well as some extra bureaucracy. I would support the view of Sir Robin Ibbs, contained in his minute to you of 27 June, that the new unit should do nothing that removes the basic responsibility from individual Departments. To guard against this you may wish to ask the Enterprise Unit to work up a detailed definition of the new unit's role in addition to the outline description which will appear in the White Paper. In particular, further thought might be given to defining the proposed "audit" function of receiving regular reports from Departments and scrutinising selected proposals - what for example should be the criteria for selection and what would be a reasonable number of scrutinies to expect from a unit of the size envisaged? Would the unit be



notified of all proposals for new regulations? Different procedures may be appropriate to different Departments and different types of regulation. It will also be important to have procedures by which Ministers can resolve any disagreements between Departments and the Deregulation Unit without undue delay.

4. Secondly, Lord Young proposes that the case for the unit and associated arrangements should be reviewed after three years. There might be some advantage in shortening this to, say, twelve or eighteen months. A significant body of practical experience should be available after that time; and that would give an opportunity for a review, and possibly further action, before the next election.

5. Thirdly, the process of review would be easier if the new unit was given clear objectives against which its performance could be measured. I doubt whether the volume of regulatory material is a very satisfactory guide, but the new unit might be required to estimate the costs which its activities had saved the business community, using the impact analyses which are being developed.

6. A review after twelve or eighteen months would also provide an opportunity to look again at where the unit (assuming that it was to continue) could best be located within government. Once the new unit had been firmly established under Lord Young's guidance, its primarily executive functions might sit more happily in the Department of Trade and Industry, which is already closely involved in deregulation, than in the Cabinet Office.

7. Finally, I have seen Sir Robin Ibbs's suggestion that Lord Young might act as an informal deregulation "ombudsman". I can see the attractions in that but it could create a real problem



by confusing the existing channels of communication between business and the Departments sponsoring individual industries.

8. There may be an immediate problem of geographical location, if the proposal to set up a new unit is agreed. If it were to consist of no more than three or four people within the Enterprise Unit, as proposed by Sir Robin Ibbs, we could probably just about squeeze them in the Cabinet Office building. If it was much larger than that, there would probably not be room in 70 Whitehall for it alongside the Enterprise Unit, and we should have to explore where it could best be housed. Richmond Terrace will not be ready until 1987, and the choice may be between the Great George Street building occupied by the Treasury and Government buildings in Northumberland Avenue.

R
Approved by
ROBERT ARMSTRONG
and signed in his absence

28 June 1985



CONFIDENTIAL

QUEEN ANNE'S GATE LONDON SW1H 9AT

28 June 1985

Dear David,

Thank you for your letter of 26 June and for the copy of your report on deregulation to the Prime Minister.

I am somewhat surprised that you have included the passage on late night refreshment houses in your report to the Prime Minister. As you are aware, Peggy Fenner's letter which was circulated as the meeting began was the first indication we had of her views; Ministers at MAFF had declined your invitation to play an active part in the work of your Group and there had been no consultation at official level. In these circumstances I think that it would have been better to defer any discussion of the letter for informed consideration.

Simon Glenarthur, however, was able to inform the Group that the necessity for the maintenance of controls on late night refreshment houses rests firmly on the issues of public order and the avoidance of public nuisance, and are seen as necessary by the police and local authorities. I should also add that they are particularly important in the context of the legislation which we plan to introduce to deregulate shop opening hours; I have no doubt that some of the opposition to this measure - not least among our own supporters - will be based on fears of increased nuisance and disorder in shopping areas. To suggest that we would contemplate removing or diluting the controls that exist on late night refreshment houses would simply add fuel to the controversy and play into our opponents' hands. It would in my view be inadvisable to risk such an important deregulatory initiative which commands wide public support for an issue which is comparatively trivial in the effect it has on legitimate businesses. I cannot, therefore, give my support to any such suggestion in the White Paper, nor would I be willing to see them included in any subsequent review of licensing arrangements such as I understand is proposed.

I am bound to say that the way this matter has been handled does reinforce some of my misgivings about the wisdom of setting up a control unit to monitor or oversee the work of Departments in the exercise of their regulatory functions. I think that there is a danger that the further bureaucratic burdens which this unit - wherever located - would impose on Departmental Ministers in carrying out their responsibilities and the risks of additional confusion and delay involved may outweigh the benefits which the unit might bring. I understand Treasury Ministers share these views but may have been reassured to some extent by your assurances that the Budget procedures would not be included in the unit's remit. If a unit is set up I would obviously expect that in a similar way, matters concerned with the maintenance of law and order and the safety and protection of the public should be excluded from any arrangements relating to the field of activity of the proposed central unit. It would be helpful to have your reassurance on this aspect before our meeting on Monday.

CONFIDENTIAL

The Lord Young of Graffham

/cont

CONFIDENTIAL

2.

I am copying this letter to the Prime Minister, Willie Whitelaw, Geoffrey Howe, Nigel Lawson, Patrick Jenkin, John Biffen, Norman Fowler, Norman Tebbit, Tom King, Grew Gowrie, John Wakeham, Tim Renton, David Trippier, Sir Robin Ibbs and Sir Robert Armstrong.

Lawson

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Meeky Alder
(D)FCS/85/195MINISTER WITHOUT PORTFOLIODeregulation

1. Thank you for copying to me your minute of 26 June to the Prime Minister on Deregulation. Since I am unable personally to attend the Prime Minister's meeting on 1 July I would like to place my views on record.
2. I strongly support this exercise and believe it essential that it should be, and be seen to be, a significant step forward in the deregulation process embodying a radical and comprehensive approach. Our aspirations in this field are well known, and an outcome which falls far short of them would rightly be criticised.
3. I therefore support your proposals (outlined in paragraph 8) for going further now than the initial package (paragraph 4). I hope that the DOE guidance on "Planning and Enterprise" will be an integral part of the launching of these ideas, since I believe further progress on planning deregulation is crucial to the credibility and effectiveness of deregulation as a whole. Our objective must surely be a nationwide application of the lessons learned from Enterprise Zones rather than the creation of too many layers of deregulation which might risk leaving the system more complicated than we found it. In that respect I have some reservations about the SPZ proposal.
4. There is another aspect of the planning problem which I think we should consider. Even if we do succeed in liberalising the framework, it can still be administered in a way that is hostile to enterprise: this is clear from the many examples of which I have sent you details. Would it perhaps make sense to conduct a brisk inquiry into the economic costs of the planning system in three or four pilot areas? A kind



of equivalent of the Audit Commission?

5. I support the proposal for a small central task force located in the Cabinet Office to give impetus to deregulation throughout Whitehall. Apart from anything else, this would be consistent with the approach that we are urging on the European Commission. Careful presentation will be necessary, however, to ensure that this is not misrepresented as a new bureaucracy.

6. One particular area on which I regret the absence of significant progress is the disposal to the highest bidder of under-used publicly-owned land. We have still, I understand, only sold off 18,000 acres since 1979 although over 130,000 acres have been registered. The proposal which I made on this subject, in my original Enterprise Zone speech in 1978, was that all land once registered should be presumed to be available for sale - a kind of compulsory purchase in reverse. It would be for the public authority, if it could, to challenge and rebut that presumption. I am aware of the attempts of Patrick Jenkin to put new impetus behind the policy, but the moral influence of the Register does not yet seem adequate.

7. I am copying this minute 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

28 June, 1985

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PRIME MINISTER

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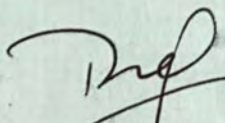
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Further to my minute of 26th June, I now attach a draft of the full text of the Deregulation White Paper. This includes the chapters which I circulated with my earlier minute - namely the introduction and that on new arrangements to control regulation.

2. As you know, MISC 114 received the individual Departments' draft responses to the 'Burdens on Business' scrutinies and we went over the ground together. Departments had already proposed to accept many of the scrutinies' recommendations and, in discussion, we made progress on others. The document now before you gives effect to the decisions we took in MISC 114 and in bilateral meetings with colleagues. The specific wording of the Departmental chapters has been cleared at official level with the Departments concerned, save for those passages in square brackets, which reflect the unresolved issues which I mentioned in para 8 of my earlier minute.

3. There is obviously scope for the draft to be further polished following our meeting but, thanks to the efforts of colleagues and their officials, I think we now have a very useful text for our discussion on Monday.

4. I am copying this minute to Willie Whitelaw, Geoffrey Howe, Leon Brittan, Nigel Lawson, Patrick Jenkin, John Biffen, Norman Fowler, Norman Tebbit, Tom King, Grey Gowrie, John Wakeham, Tim Renton, David Trippier, Sir Robin Ibbs and Sir Robert Armstrong as well as to members of MISC 114.


DY

28th June, 1985

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PRIME MINISTER

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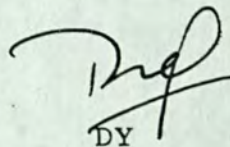
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28th June, 1985

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WHITE PAPER ON DEREGULATION

CHAPTER 1

1. There are two key elements in the Government's economic policy: to keep down inflation and offer real incentives for enterprise. Low inflation is the very bedrock of an expanding economy but is not sufficient in itself. It is the growth of Enterprise, the efforts of millions of our people engaged in the creation and development of businesses large and small that is the real driving force of the economy. This paper is about one important aspect of helping enterprise to grow - by reducing burdens imposed on business by administrative and legislative regulation.

It sets out the case for more freedom in the business sector and the need to deregulate. It reinforces the Government's commitment to reducing unnecessary constraints on the creation of jobs and wealth. It reviews what the Government has done already. It outlines the way in which a new permanent mechanism will operate - to ensure that all proposed new legislation and regulation will be examined for its impact on business and systematically to review existing rules and remove or simplify them where they impose unnecessary burdens.

But this must be done with care. The line between liberty and licence is fine and can easily be crossed. We have to bring about the conditions to promote growth but not abuse. It is on this basis that this paper is presented.

2. The Government want to see an economy in which firms, large and small, have the ability to expand - and thereby win extra business and create more jobs. That is now happening. Published estimates indicate that the employed labour force has increased by more than 600,000 since the Spring of 1983. New business formation and self-employment are greatly increasing. Between 1980 and 1984 the VAT register shows that 140,000 more new businesses set up than closed down. This decade has seen an increase of over half a million in the number of self-employed people to over 2½ million - the highest figure in the last 60

years. Indeed last year our economy created more jobs than the rest of Europe put together. But this is still not good enough.

The Government must do all it can to accelerate the process for without healthy business, and the jobs and wealth they create, the country will simply not be able to afford the things we all desire: pensions, health services, education and all the other calls on government expenditure.

3. The amount of regulation which new and established firms face acts as a brake on enterprise and the wealth and job creating process. Deregulation means two things. First, freeing markets and increasing the opportunities for competition. Second, lifting administrative and legislative burdens which take time, energy and resources from fundamental business activity.

FREEING MARKETS

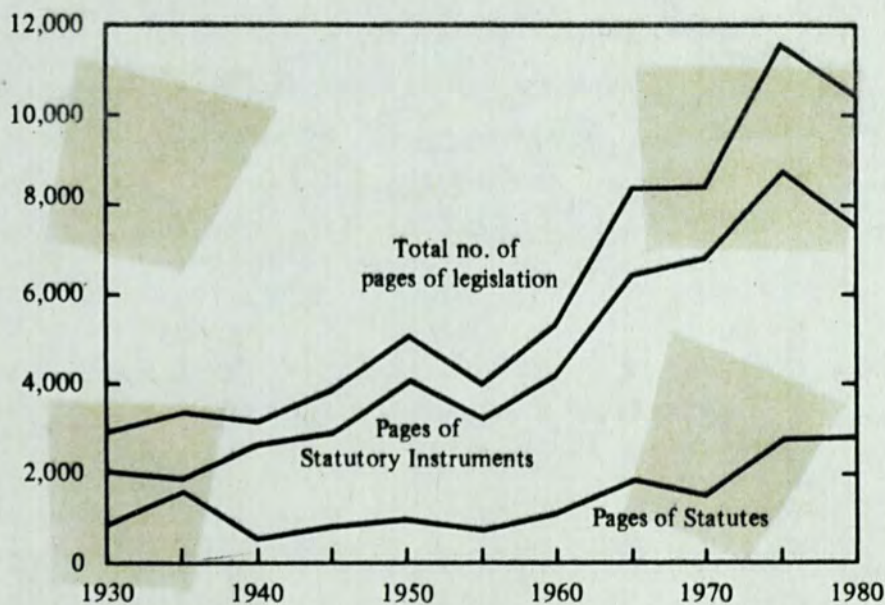
4. On the first, the Government have made good progress and there are more proposals in the pipeline. We have freed up long distance coach services, domestic and international air services, spectacles and mobile cellular radiophones. The Government have abolished controls on foreign exchange, dividends, hire purchase and bank lending. In every case that has brought benefits in terms of more choice, better services, lower prices, greater international competitiveness, freedom from bureaucratic control and the clear potential to increase employment.

LIFTING THE BURDEN

5. On the second aspect of deregulation, the Government believe that despite considerable efforts to get the balance right the scales are still tipped too far against business. For the best of motives, regulations have grown over the years to a stage where many of them are too heavy a drain on our national resources. Too many people in central and local government spend too much of their time regulating the activities of others. Some regulations were framed a century and more ago, have been added to or amended, and now bear little relevance to the modern business world. Other

regulations are too complex and confusing even to professional advisers (and sometimes to the people who administer them, too). Many regulations are necessary and it is, of course, Government's responsibility to ensure that flexibility and freedom are not abused by those who would flout the proper interests of customers, consumers and employees. We must maintain our quality of life. But we have to strike the right balance.

6. This is not just a British problem. The tide of legislation has risen inexorably over the years in all countries of the western world. The United Kingdom has not been immune. The chart shows - as a rough guide - how the volume of new UK legislation being passed has grown since the 1930s.



(figures entered at five-yearly intervals)

Of course, not all of this legislation directly impinges on business. Some of the more recent legislation has been necessary in order to restore greater freedom and flexibility to citizens

and the economy - for example, enabling sales of council houses to take place, and through returning nationalised industries to the private sector. But overall there is no doubt that we suffer from the sheer weight of legislation and controls. That is why, like administrations in the U.S.A., The Netherlands and West Germany, the Government wants to stem this flow. The cumulative weight of legislation must clearly be examined rigorously to ensure that its benefits outweigh its costs. We want less - and better - regulation.

7. Moreover, the evidence shows that although individual regulations may themselves be minor, the cumulative effect is time-consuming and costly. In a competitive environment, businesses already have enough to do. They have to respond quickly to changing consumer needs, to plan and monitor their financial, marketing, personnel and investment activities skilfully and flexibly. The impact of regulation takes its toll in diverting precious time and energy that would be far better used in generating products, services, sales - and, in the end, jobs.

8. The burden is that much greater on small business where the owner/manager is wholly responsible for all aspects of the business and the people he or she employs. Every hour spent on form filling is one less hour spent on running the business. Moreover, this can put off the potential entrepreneur or drive him or her unwillingly into the 'informal economy'. These small and new businesses are precisely those we need to encourage to set up, expand and take on employees.

9. Regulation also imposes burdens on the state itself through the need for the explanation and enforcement of often complex rules to businesses. A good deal of the time and energy of officials in central and local government is taken up by enforcing and applying regulation; simplification will save time, money and staff effort for government itself as well as making life more straightforward.

THE JOB TO BE DONE

10. The present White Paper is not the first step on the road. Deregulation has been a continuing priority of the Government since 1979 and much has already been achieved. For example, over a million fewer statistical forms are sent to businesses today compared with 1979. A central mechanism has been established to ensure that all business surveys are reviewed in detail on a regular basis and only allowed to continue if approved by the responsible Minister. Planning procedures have been speeded up and local authorities have been encouraged to grant permission to business development unless there are pressing reasons to the contrary. The burdens of the Employment Protection Act on business have been considerably reduced and, by taking advantage of flexibility in the European Community directives on company law, disclosure requirements on annual returns have been reduced for small firms.

11. The Government are now making a concerted drive to speed up this process of reviewing existing regulation and ensuring that new regulation is examined carefully for its impact on firms both large and small. We have considered carefully the work done in other countries, in particular in the U.S.A. In the first two years of President Reagan's administration, the concerted deregulation strategy which he introduced has reduced the pages of regulation in the Federal Register by one third as compared with the final two years of the previous administration. The United States Government estimate that this has produced once-off savings of \$9-11 billion and annual savings of \$6 billion in costs to government and business. They also report that the number of new businesses in deregulated industries increased faster than in the overall economy in 1982 and 1983. Definitions in the U.S. and U.K. are, of course, different but the clear indication is that deregulation stimulates economic activity. It will never be possible to prove a direct causal relationship between deregulation and job creation. But the evidence suggests that there is a link. And commonsense dictates that if unnecessary restraints are removed, then people are more likely to set up businesses or expand them.

12. The package of measures presented in this paper is the result of an intensive exercise within Government Departments, carried out in close consultation with business. Work in the Department of Trade & Industry had previously revealed much dissatisfaction among small businesses with the costs and complexity of regulation. This led to an inter-departmental scrutiny of administrative and legislative burdens on small businesses announced by the Prime Minister on 1st August, 1984. The report of the scrutiny 'Burdens on Business' (ISBN 0 11 513820X) was published in March 1985.

13. 'Burdens on Business' identified options for change and was published to stimulate debate and comment. Among the key findings the report concluded that:

"Compliance with Government requirements imposes real additional costs on business, particularly on small firms and 'new starters'. They can be a barrier to market entry"

and

"Though most firms are managing to cope with the burdens, action to reduce it offers benefits for jobs and for the 'white economy'."

14. In a survey conducted among 200 businesses by Research Associates, as part of the 'Burdens on Business' report, 52 firms reported they had lost or not taken on an average of 6.5 employees each year over the last five years due to the inhibiting or costly effect of regulations. Some jobs were gained by some 15 firms in order to deal with regulation but the net job loss judged to have taken place in this sample of 200 firms was over two hundred. And there are 1.6 million businesses in the country.

15. Complementing the 'Burdens on Business' exercise, the Department of Trade & Industry conducted a survey among large firms to identify the extent to which regulation impacts on their business activities. This showed that action to reduce the burden of regulation was as relevant to larger businesses as to small.

16. Following publication of the 'Burdens on Business' report, a Ministerial committee, under the chairmanship of the Minister without Portfolio, was set up to carry forward this initiative and the findings in the survey of large firms. The opportunity was given for outside organisations and individuals to offer their views. Many submissions have been received from individual businesses and representative organisations. They include numerous individual recommendations. But overall their message is clear. Regulation remains a major obstacle to the growth of employment and enterprise in this country. That is a message which we cannot ignore.

17. This White Paper is largely concerned with deregulation within the United Kingdom but there is, of course, a European dimension which is likely to become increasingly significant. The European Community imposes regulation on business and the Government are working with their partners towards similar reviews of existing and future burdens. Chapter 00 deals with this aspect.

18. In Europe there is clear recognition of a common problem and a shared resolution to take action. Within the United Kingdom there is a similarly widespread acceptance of the need to review regulations. As a result of the Government's initial review of the scope of deregulation, following up the 'Burdens on Business' Report, they have identified a number of areas where reforms should be made, covering the responsibilities of a range of Departments. Chapters 00 to 00 set out what is proposed - a series of practical, carefully thought out reforms. Some of these are major; others are not. But it is the cumulative burden of regulation - both major and minor - that saps the energy of business. It is that burden which the Government is determined to reduce - but with care and concern for all in our society.

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CHAPTER TWO

SUMMARY OF PROPOSALS

What the Government are doing -

1 PLANNING AND ENTERPRISE

- Giving strong guidance to local authorities on "Planning and Enterprise".
- Introducing Simplified Planning Zones.
- Extending the General Development Order to permit more exemptions from planning permission.
- Fundamentally reviewing the Use Classes Order.
- Reviewing the Control of Advertising Regulations.
- Issuing next month a new booklet for small firms explaining the planning system and giving clearer guidance on working from home.
- Introducing various amendments to the Town and Country Planning Act.
- Improving the system of major public inquiries.
- Carrying out an efficiency review of measures to speed up written planning appeals.
- Extending the power to award costs against authorities who act unreasonably.

2 ENVIRONMENTAL CONTROL

- Setting up a Review of local authority practice and court decisions, with the aim of preparing guidance to local authorities and making legislative changes if appropriate.

3 BUILDING REGULATIONS

- Introducing simplified regulations, to come into force in November.
- Starting a further review, to cut scope of regulations where possible.

4 DEPARTMENT OF TRADE AND INDUSTRY

Company Law

- Introducing a simplified procedure for determining new companies' accounting reference.
- Setting up a procedure for reminding companies of their filing obligations 6 weeks beforehand.
- Introducing a single requirement to replace the present variety of requirements governing the filing of returns and accounts on separate dates.
- Consulting already on the possible elimination of statutory audit for small companies.

Consumer Law

- Repealing the Price Marking (Bargain Offers) Order and replacing it by a new general offence on false or misleading price information supporting by a statutory code.
- Introducing a new general duty on product safety judging goods by sound modern standards of safety - then reducing and simplifying individual regulations.
- Consulting on the scope for more self-certification and other simplifications.
- Monitoring the Consumer Credit Act 1974 taking steps to alleviate specific business difficulties.

5 CUSTOMS AND EXCISE

- Negotiating with the Community to obtain increased flexibility to raise our VAT threshold.
- Extending the option for traders to make monthly VAT payments.
- Improving information on the operation of VAT retail schemes.
- Allowing deductible input tax to be based on discretionary records.
- Improving the bad debt relief provisions included in the Finance Bill, in line with provisions in the Insolvency Bill.

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- Considering an approval system for computer software packages designed to handle VAT accounts.
- Reviewing procedures to speed up paperwork on VAT on imports.
- [- Allowing approved sales invoices to be used for retail export relief instead of customs forms (subject to Community agreement)]

6 INLAND REVENUE/DHSS

Employment and Self-Employment

- Issuing a new leaflet explaining the criteria for deciding whether a person is employed or self-employed.
- Developing closer liaison between Inland Revenue and DHSS to agree common decisions on a person's employment status.
- Giving greater encouragement to the use of the small earnings exception by the self-employed.

Employers

- Consulting on the possibility of administering PAYE on a non-cumulative basis and of the closer alignment of PAYE and NIC (in the Green Paper on taxation to be issued in the autumn).
- Assessing results of a pilot exercise to determine the scope for reducing the number of visits by Revenue and DHSS Officers on PAYE and NIC.
- Changing DHSS practices to cut down the enquiries to employers about NIC contributions.
- Publishing an improved "starter pack" on PAYE and NIC possibly with a single booklet.

7 DHSS

Statutory Sick Pay

- Consulting shortly on the possibility of allowing employers to opt out of the SSP scheme.
- Introducing a variety of minor simplifications to legislation and procedures (subject to consultation).

Industrial Injuries

- [Considering] using the New Earnings Survey to determine earnings levels and Special Hardship Allowance.
- Simplifying and redesigning forms.

Other

- Reviewing all DHSS functions affecting business, both inside and outside the scope of the Social Security reviews.

8 DEPARTMENT OF EMPLOYMENT

Information and Advice

- Improving information and advice on employment protection and health and safety.
- Using more Jobcentres as advice centres.

Employment and Protection

- Extending the qualifying period for unfair dismissal to 2 years in all cases.
- Considering further action to improve information and advice to employers.

Health and Safety

- Reactivating the HSC scrutiny of old legislation.
- Raising the threshold for the requirement to prepare written safety policies to firms of 20 employees and above.
- Explaining clearly to employers that they have a right to appeal against inspectors' decisions.
- Providing better information for small firms.
- Giving specific training to Inspectors to increase awareness of small firms' interests.
- Issuing national guidelines on safety inspection priorities and standards.
- Assessing the impact of proposals on small businesses.

- Designating one of the HSC Commissioners to represent small firms' interests.
- Reviewing "onus of proof" requirements.

Other Areas

- Abolishing restrictions on women's working hours.
- Considering the future of Wages Councils.

9 HOME OFFICE

- Introducing the legislation to abolish restrictions on shop hours.
- Considering the possibility of relaxing liquor licensing restrictions.
- [- Considering the possible abolition of controls on late night refreshment houses.]

Fire Precautions

- Considering a new system of control to replace the certification requirements of the Fire Precautions Act 1971: greater responsibility would be placed on owners/occupiers to meet safety standards.
- Giving clearer advice to fire brigades to ensure more consistent advice and better links with Environmental Health Officers: the importance of compliance costs will now be included.

Data Protection Act

- Arranging for the Registrar to report to the Home Office on the impact of the Act on businesses once there is sufficient experience of the way it works.

CHAPTER 3

PLANNING AND ENTERPRISE

(subject to
"polishing"
amendments)

1. The town and country planning system has not changed in its essentials since it was established in 1947. In many ways it has served the country well and the Government has no intention of abolishing it. But it also imposes costs on the economy and constraints on enterprise that are not always justified by any real public benefit in the individual case. It can cause delay and uncertainty even where applications are eventually approved. Too often the very wide discretionary power that the system affords is used to apply excessively detailed and onerous controls of a kind that would not be tolerated in general legislation. If the system is to remain effective it must be used in a way that does not impose an unnecessary degree of regulation on firms and on individuals.
2. The Government's policy is to simplify the system and improve its efficiency. A good deal has been done but there is ample scope for further progress. An efficient and simple system can speed the planning process and facilitate much needed development which helps create jobs - in construction, in commerce and industry, and in small firms.
3. The Government is equally concerned to protect and enhance the environment in town and country, to preserve our heritage of historic buildings and rural landscape, to conserve good agricultural land and maintain the green belts. This too requires a planning system that works efficiently and effectively, and strikes the right balance between the needs of development and the interests of conservation. It is not to be regarded simply as a means of preventing change. Properly used, it can help to secure economy, efficiency and amenity in the development and use of land.
4. It is an established principle of planning law that the developer is entitled to his permission unless there are sound relevant and clear-cut reasons for refusal: that is to say, permission is not to be refused for arbitrary or irrelevant reasons. Nor is the developer required to prove the case for the development he proposes to carry out; if the planning authority consider it necessary to refuse permission, the onus is on them to demonstrate

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clearly why the development cannot be permitted and the reasons must be precise, specific and relevant to the application.

5. There is therefore always a presumption in favour of development, unless that development would cause demonstrable harm to interests of acknowledged importance. These principles were clearly stated in a circular issued by the then Ministry of Town and Country Planning in 1949 and restated in a further circular in 1953, and amplified in Department of the Environment Circular 22/80, "Development Control: Policy and Practice". The Secretary of State for the Environment is issuing a new circular reaffirming these principles. It is reproduced in the Annex to this White Paper.

6. In line with this approach to the control of development, and in support of the general aim of deregulation, a number of other measures are being taken to simplify the planning system and reduce the burden of control:

- (i) It is proposed to introduce new legislation to permit the setting up of Simplified Planning Zones (SPZ) which will extend to other areas the type of planning regime already established in Enterprise Zones. This will enable the local planning authority to specify types of development allowed in an area, so that developers can then carry out development that conforms to the scheme without the need for a planning application and the related fee. Planning permission for other types of development can be applied for in the normal way. This type of planning scheme has proved to be effective and successful in Enterprise Zones and can provide a real stimulus to the redevelopment of derelict or unused land and buildings in areas that are badly in need of regeneration. In addition to providing local planning authorities with powers to introduce SPZ's, they will also be required to consider proposals for the establishment of SPZ's initiated by private developers. The Secretary of State would have reserve powers to direct the preparation of proposals for an SPZ, similar to those that he already has to direct the preparation of alterations to development plans.

(ii) It is proposed to introduce a number of changes to the General Development Order which enables specified types of development to take place without the need to apply for planning permission. It is a useful method of deregulation within the planning system. Important changes of this kind were made in 1980 and 1981, and the Government has [this month] introduced a set of amendments to the GDO designed to facilitate modern developments in telecommunications. Consultation has already taken place on other amendments that have been generally welcomed by "users" of the system and which will be introduced at the start of the next Session. These will include: increasing the permitted limit on extensions of industrial buildings from 20% of cubic content (subject to an upper limit on the permitted increase in aggregate floorspace of 750 sq. m.) to 25% of cubic content (upper limit 1000 sq. m.); a new provision for the extension of warehousing to a level similar to that proposed for industrial buildings; permission for provision of facilities for air traffic control by the CAA; permission for DBS (direct broadcasting by satellite) aerials of up to 90 cm diameter on houses; permission to erect rides etc in amusement parks (which are subject to separate safety controls); provision for exploratory drilling for mineral workings; removal of the requirement to notify the Department of Transport of proposals involving access to non-motorway and non-trunk roads.

(iii) A review of the Use Classes Order (UCO) has been set in train and the results will be published for consultation later this year. The UCO enables land and buildings to be used for various purposes without the need for planning permission, and is thus a means of deregulation like the GDO. Unlike the GDO, however, the UCO has not been substantially changed since it was first introduced in 1948, and is clearly overdue for review in the light of today's conditions. In particular, it needs to take account of the requirements of the typical "high tech" firms where manufacturing, offices, research and development, warehousing and other activities may be carried on in a single building and where the

mix of uses and space utilisation may need to be constantly changed and adapted to the needs of the business. Since the UCO is intended to permit and not restrict compatible uses, it is obviously essential that it should be designed to do this effectively.

- (iv) The Control of Advertisement Regulations are also being reviewed in conjunction with representatives of the advertising industry and other interests. One aspect that warrants review is the signposting in rural areas of tourist facilities, hotel accommodation, craft workshops and similar establishments. While a proliferation of commercial advertisements in the countryside would obviously be deplored, it should not be necessary to subject simple directional signs to the same degree of control, provided that they do not create a traffic hazard.
- (v) It is proposed to issue a booklet to assist small firms to cope with the requirements of development control. This will supplement the booklets already published for householders and for industrial developers, and will be accompanied by a circular to local authorities. In particular the booklet and circular will clarify the position relating to working from home. Planning permission is not normally required where the use of part of a house for business purposes is clearly ancillary to its main use as a residence. It is reasonable that, where the business use becomes dominant or intrusive, planning permission should be required (and may be refused), but many small businesses begin as one-man firms working from home and can be carried on without any serious detriment to neighbouring property. Some local housing authorities apply restrictions on working from home by means of tenancy agreements or restrictive covenants. The right-to-buy provisions for the Housing Act 1980 require that any covenants imposed should be reasonable in the circumstances. In the Housing and Building Control Act 1984 provision is made for the Secretary of State to direct local authorities not to include certain covenants in their sale documents

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and to discharge or modify covenants in completed sales.

There are at present no powers for the Secretary of State to control conditions in local authority tenancy agreements. The Secretary of State takes the view that local authorities should not seek to impose restrictions on council tenants working from home in cases where planning permission is either not required or has been granted, and this aspect will be dealt with in the circular to local authorities. The Government has amended the Capital Gains Tax provisions so that in almost all cases there is no liability to CGT on the sale of the home where part has been used in this way.

- (vi) Proposals have been published for a range of detailed but useful amendments to the Town and Country Planning Act 1971 designed to simplify some of its provisions and improve its procedures. It is hoped to introduce these in the next Session if the legislative programme permits.

- (vii) Proposals have also been published for improving the conduct of major public inquiries, including provision for the pre-inquiry stages so as to simplify the proceedings and ensure that the time of the inquiry is used efficiently. These and other proposals designed to improve the efficiency of the inquiry process will be incorporated in the Inquiries Procedure Rules in consultation with the Council on Tribunals. The great majority of planning inquiries are completed within one or two days, and last year only 41 out of nearly 3000 inquiries lasted more than two weeks and only 20 lasted more than a month. The few major planning inquiries, however, and some other types of inquiry, can become extremely protracted and to the point where very few of those who wish to appear at the inquiry are able to follow the whole of its proceedings. These measures will help Inspectors at major inquiries to order the proceedings in a way that enables the main issues to be dealt with, and ensures that all those who have a contribution to make are able to do so, while avoiding undue complexity and delay in reaching decisions.

7. All these proposals are aimed at improving the operation of the planning system. While many of them will contribute to deregulation, the Government is also concerned to ensure that the system is effective where careful control is warranted. To this end, proposals have been published for securing improved control over hazardous development (storage of dangerous substances), and it is hoped to introduce the necessary legislation in the next Session. Similarly, proposals have been published for extending the Landscape Areas Special Development Order to all National Parks. Proposals are being prepared, following consultation, to ensure better control over intensive livestock units.

8. In addition to pursuing the aim of deregulation and relieving the burden of unnecessary controls on business and small firms, the Government continues to attach the greatest importance to ensuring that, where effective control is warranted, the system operates as efficiently and promptly as possible. This applies to both planning applications and planning appeals.

9. The appeal process is a key component of the planning system and it is essential that those who are refused planning permission by the local planning authority should be able to take their case to appeal in the expectation that their case will be dealt with promptly. Although decision times on appeals have improved markedly compared to the position some years ago, there has been some deterioration over the past year or so as the volume of appeals has increased. Median decision times are capable of considerable improvement and, of course, half of all appeals exceed the median. The great majority of appeals (86% in 1984) are dealt with by the written representations procedure, which generally provides a simpler, quicker and less expensive process for the appellant. The Department of the Environment has set in train an Efficiency Scrutiny of this procedure with a view to establishing time targets against which performance can be monitored and to which possible procedural changes or increased resources can be related. Regular performance statistics will be published. There are no statutory powers at present to enforce time limits in the case of planning appeals dealt with by written representations and it is proposed to make such provision as part of the legislation referred to in para 6(vi) above.

10. Local planning authorities performance has improved over the past few years and 70% of applications are now decided within eight weeks compared to 60% in 1979. But some authorities consistently achieve 80% or more, while other authorities only 50% or less. Much can be done to propagate good practice and by simple procedural changes and effective use of information technology. The Department of the Environment is consulting the National Development Control Forum, representing local planning authorities, on the proposal to produce a Code of Practice which would establish a set of guidelines and time targets for the handling of planning applications.

11. Development plans are a key component of the planning system since they provide a basis for the exercise of development control and can assist developers and the business community by providing them with some indicators to guide them in taking their decisions. Development plans include both structure plans and local plans; structure plans are intended to provide the broad policy framework and are prepared by the county planning authorities, while local plans are prepared by district councils for the whole or parts of their area. Inevitably plans become out-of-date and tend to lag behind current needs and conditions. In particular, the twin priorities of generating jobs and providing sufficient land for housing have not been reflected fully or quickly enough in structure plans and the planning decisions of local authorities. The new circular issued by the Secretary of State for the Environment (reproduced at Annex A) accordingly makes it clear that development plans are one, but only one, of the material considerations that must be taken into account in dealing with planning applications.

It is also important that development plans should concentrate on the essential elements and the key planning issues, be well related to current trends in the economy and the factors that influence market demand, and be capable of rapid revision to meet changing circumstances. There is cause for concern that this process of plan review and up-dating is becoming too slow and cumbersome, partly because of the lengthy procedures involved and partly because of the increasing tendency to include in structure plans far too great a degree of detail and of a kind which is either not suitable for inclusion in development plans or could be more appropriately dealt with in local plans or in published

guidance for developers (eg. requirements for car parking etc).

The Government is giving further consideration to whether there should be changes in the content and procedures of development plans and in the relationship between development plans and development control.

12. Finally, while deregulatory measures and procedural improvements are important, the key objective must be to keep the planning process simple - to avoid over-elaboration and unnecessary detail in development plans, and to concentrate on the essentials in dealing with applications, without complex and superfluous conditions. Deregulation does not imply only the abolition of unnecessary controls. It also means achieving simplicity and efficiency in the way that necessary control is carried out. Simplification, speed and efficiency do not mean dismantling the planning system but they are as relevant to planning as to all other forms of regulation and control. All those responsible for the operation of the system can help to achieve the improvements that are needed.

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CHAPTER FOUR

RENT DEREGULATION

[A measure of deregulation for new lettings in the private rented housing sector would promote enterprise in a number of ways. It would encourage the owners to let and stimulate the rented sector, which has been in a state of decline for far too long. It would encourage the conversion and construction of dwellings for rent. It would help to remedy the housing shortfall in certain areas of the country, such as London. It would improve labour mobility, so that people can move easily to jobs away from their present homes. At present both employees and employers suffer because there is no pool of accommodation for rent.]

The Government [have explained why they are unlikely to proceed with legislation during the lifetime of the present Parliament but they] hope in due course to introduce legislation to encourage the supply of more homes to rent in the private sector - in the interests of a balanced housing market and the promotion of enterprise.

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CHAPTER 5

BUILDING REGULATIONS

Since the publication in 1981 of the White Paper on the Future of Building Control in England and Wales, the Government have been engaged in a major overhaul of building controls with the aim of simplifying the procedures, providing the option of private certification and removing unnecessary regulations.

The first stage of this exercise will be completed in November when new building regulations will come into force. These will be much simpler in form than the current regulations, will give wider exemptions and simplified procedures for minor works and provide for private certification by approved inspectors. The bulk of the building regulations will be reduced from over 300 pages at present to some 30 pages.

After the new and much simplified regulations have come into force, the Government will start the next stage of the review. This will involve examining the requirements of the regulations, to see how far they can be reduced or dropped altogether. A consultative document will be issued by the Department of the Environment with proposals for further changes. Government's aim is that the regulations should be reduced to the minimum required to secure their essential function, which is the preservation of public health and safety.

In areas such as structural safety and fire precautions, there will be a need for substantial continued regulation. But the Government will examine carefully the possibilities of reducing the level of regulation in these areas, where this would not mean to increased risk to personal safety.

The building regulations currently cover other areas, such as sound insulation; energy conservation; hygiene (provision of bathrooms, food storage, etc); safety of stairways, ramps, etc; and ventilation and damp prevention. The Government believe

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that in some of these areas there may be scope for reducing substantially the extent of regulation or removing some of the regulations altogether. Where the operation of the market can be relied upon to ensure that acceptable standards are maintained, there is no case for regulation. The Government will aim to take decisions on reducing or abolishing regulations in these areas within twelve months.

Following a recent major review of the separate and distinctive building control systems in Scotland, work is also well in hand there on a complete recasting of the Building Standards (Scotland) Regulations, to produce simplified and fewer regulations. As he announced to Parliament in November 1984 in his Statement of Intent on the future of building control, the Secretary of State for Scotland will also seek early powers to permit a significant measure of designer self-certification of compliance with the regulations; to introduce the type approval of repetitive designs; and to exempt altogether from the scope of the regulations a wider range of agricultural and industrial buildings and minor house extensions.

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CHAPTER 6

ENVIRONMENTAL CONTROL

Business and commercial activities can have environmental consequences directly through the emission of noise, fumes, etc, and indirectly, for example, through traffic generation. Insofar as these can be significant, there needs to be control in the interests of neighbours and the public generally. But unnecessarily stringent control has real costs both in impairing the profitability of the enterprises concerned, and in loss of jobs if control prevents development from taking place at all or on the scale originally proposed.

Under planning legislation, local authorities consider these matters in advance. The possibility and degree of environmental impact should be viewed under the general principle, repeated in the circular at Annex 00, that development should proceed unless there are sound and clear-cut reasons why it should not.

Where there are certain to be environmental problems, it may be possible for permission to be given, subject to suitable conditions designed to deal with it. But, as stressed in the Department of the Environment's Circular 1/85, conditions should only be such as are necessary, reasonable, fair, relevant, precise, practicable, and enforceable. The Department has also advised (Circular 22/80) that authorities should not take enforcement action for planning breaches unless absolutely necessary: generally, the practice of authorities is to resort to enforcement action only if definite complaints from the public have revealed a serious problem and only after negotiation with the occupier has failed to resolve it.

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Where environmental impacts or proposed development including changes of use are less certain, particularly in the case of small businesses, the better course normally is to allow the development to proceed without onerous conditions and, if subsequently it is established that it has resulted in definite environmental problems, to deal with them under authorities' statutory powers under public health and control of pollution legislation. Unless there are clear-cut reasons for believing that a particular development will create significant environmental problems, planning control should not, in the Government's view, be imposed simply because control under the Public Health Acts or the Control of Pollution Act lies ultimately with the courts rather than with the local authority. The Department of the Environment is reviewing the current use and effects of these powers with the aim of preparing guidance or making changes if appropriate. The Department aims to complete this review by the end of this year, so that the results can, if necessary, be taken into account in legislation in 1986/7.

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CHAPTER 8

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

1 Many of the regulatory burdens on the agriculture, fisheries and food industries relate to European Community requirements and, on behalf of the United Kingdom, the Ministry is vigilant to ensure that measures are not allowed to slip through which are not necessary for the efficient administration of Community arrangements. In some areas regulation is necessary in order to meet special problems. Indeed, industry itself benefits from the protection afforded by restrictions placed on the movement of livestock, fish and plants following outbreaks of certain diseases, while the public at large benefits from measures designed to protect the safety and quality of food.

2 But whenever possible action is taken by the Ministry to ease the burdens on agricultural, horticultural, fisheries and food sector businesses imposed by domestic legislation. This is a continuing process. In 1980, for example, revised arrangements were introduced for capital grants in agriculture and horticulture which removed the need for applicants to obtain prior approval. As a result, the farmer no longer has to provide the Ministry with costs and specifications together with three estimates of the proposed work before making a capital investment on which he intends to claim grant.

3 Since then the movement towards deregulation has been accelerating. In 1984 the Improvement of Livestock (Licensing of Bulls) Act 1931 and the Horse Breeding Act 1958 were both repealed by the Animal Health and Welfare Act 1984. On 1 July 1986 the full force of new Government measures to replace restrictive compositional standards in

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one important part of the food sector by more informative labelling will be felt; this is as a result of the introduction of the Meat Products and Spreadable Fish products Regulation 1984 which replaces 7 sets of regulations and reduces the number of compositional standards from 50 to 12.

4 The Ministry is currently consulting representative organisations on the proposal to liberalise the arrangements for the importation of veterinary medicine; anyone would be allowed to import a licensed product whether or not they were named on the product licence. The end of 1985 is the target date. Animal health controls over artificial insemination have been reviewed and proposals for liberating certain aspects of trade in cattle semen in England and Wales are now in the process of being implemented. In addition, a much simplified system of controls over the quality of livestock permitted to be used in AI is to be introduced from the beginning of 1986.

5 The Ministry is now in discussion with the soft drinks industry with a view to introducing a major simplification of the existing complex regulations.

The removal of unnecessary regulations and the widening of the scope for competition are central principles of this Government's transport policy. Transport exists for the user - whether he be a passenger or a business. There is no doubt that the user benefits from a maximum of competition and choice. Competition and deregulation encourage the innovative and efficient operator and provide opportunities for the small businessman. A competitive environment is a necessary pre-condition for the successful adaptation of the transport market to the needs of the late 20th Century.

Road Passenger Transport

The Government's Transport Act 1980 removed "quantity" restrictions on long distance "express" coach services. Since the Act came into force in October 1980 over 900 new services have been registered and fares have fallen on average by 40% in real terms. As a result new opportunities for cheap long distance travel have been opened up and more people - particularly those on lower incomes - are benefiting from them.

Building on that success, the Government is proposing in the Transport Bill now under consideration in Parliament, to widen the scope for competition to include local bus services. The Bill abolishes Road Service Licensing rules altogether, outside London. This will bring cheaper and better local transport services and will enable public resources to be used more effectively to cater for real social need and the enforcement of strict safety standards. The Bill also provides more opportunities for the use of minibus and other low cost transport services and removes regulations which have restricted the use of taxis for local public transport services.

Aviation

In aviation, following the Civil Aviation Act 1980, competition was introduced on several domestic routes. This has resulted in better and more frequent services between British cities.

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Following the report of the Civil Aviation Authority into Airline Competition Policy (CAP 500) the Government published a White Paper, "Airline Competition Policy" (Cmd. 9366). This welcomed the Authority's proposal that domestic air fares should no longer require specific approval.

In international negotiations, the Government is pressing for greater competition, both in bilateral and multi-lateral negotiations. In 1980 competition was introduced on the "cabotage" route to Hong Kong. This resulted in lower fares and increased traffic on that route. The European Community offers the best chance for further liberalisation. The Regional Air Services Directive of 1983 allowed smaller airlines more freedom to mount services between regional airports in the European Community. The Government has welcomed the European Commission's Second Memorandum on a Community air transport policy, which should provide the basis for worthwhile liberalisation, though it does not go far enough. The Government is seeking rapid progress in Europe towards a more liberal EEC aviation market.

At the same time, the Government is seeking to negotiate more liberal bilateral agreements with other Member States. In June 1984, a more liberal air services agreement was signed with the Dutch Government. As a result, over the following year, traffic between the UK and Holland increased by over 16%. The return fare from London to Amsterdam fell to £49, 10 new services began and over 70,000 passengers, who would not otherwise have travelled, flew on the London to Amsterdam route. In June 1985, a further measure of deregulation was agreed with the Dutch providing for airlines of either country to be free to combine services to more than one point in the other country or to link those services with a second point in another European country. They will also be free in future to set fares, unless both Governments express disapproval. A similar agreement has been concluded with Luxembourg and a more liberal agreement has also been signed with the German Government. The Government's White Paper, "Airline Competition Policy", confirmed the Government's policy to seek further opportunities for liberalisation in aviation. In particular, it stated as a major objective the securing of rights to multiple designation of British airlines on international routes.

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Shipping

Britain's shipping industry has suffered badly from the effects of recession, shifts in the pattern of international trade, and the growth of protectionism in world markets. It is an industry which derives most of its revenues from trade between countries other than the UK ("cross-trading"). Therefore it is in the interests of the industry first that competition is encouraged and protectionism resisted and second that the competitiveness of the UK industry is not hampered by unnecessary regulations and high costs. The Government's aim priorities are to combat protectionism abroad and reduce the burden of regulation on the industry at home.

Progress is being made in international negotiations towards keeping the world shipping trades open to UK ships. Progress is also being made towards a common EEC shipping policy. The European Commission published a Memorandum in April 1985 which proposed several measures to eliminate barriers to the freedom to provide shipping services in the European Community and to provide for joint action to deal with protectionism by Third Countries. In June 1985, the Council of Ministers agreed to take rapid action towards these goals and to set a deadline of the end of 1985 for decisions on a Community shipping policy. Separate negotiations between the Consultative Shipping Group and the USA aimed at an agreement on the provision of competitive access to each others trades have reached the point where political decisions are being sought.

The Government has also been working on plans to reduce the burden of regulation on the Merchant Shipping industry. A Consultative Document was published in 1984 containing proposals to lower the burden of regulation without lowering of safety standards. In December 1984, the Government published a Green Paper proposing reform of the legislation governing marine pilotage, in order to reduce the burden of the cost of this service on the industry imposed by out-moded legislation and regulations. The Government is improving the efficiency of lights services and following a review of the structure of charges for these services by consultants Arthur Andersen, it is consulting on recommendations that would redistribute the burden of costs so as to reflect more closely the use made of the service by different types of vessels.

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The interests of the shipping industry and of British industry require greater efficiency from our ports. We have removed all Government controls over port investments by repealing section 49 of the Harbours Act 1964.

Freight

Most freight transport is free and competitive. Our highly successful haulage industry is an example of how competition provides flexible services and good value for money. The Department of Transport has carried out a complete revision of its guidance booklet for HGV operators and licence application form. In negotiations with our EEC partners we are pressing for the complete removal of controls on the numbers of lorries allowed to travel between Community countries. We have significantly increased bilateral lorry permits and in December 1984, the European Council agreed a doubling of the Community lorry quota by 1989 and its eventual abolition.

Railways

Competition and deregulation benefits the railways as well. Competition from long distance coaches caused BR to reappraise its Inner City strategy, and put the emphasis squarely on the need for greater efficiency, better customer service and good marketing. British Rail itself, recognising the value of competition to efficiency and customer service has published a set of "criteria for contracting-out", which they intend to apply to support services on the railways.

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CHAPTER 10

DEPARTMENT OF TRADE AND INDUSTRY

The main requirements on business administered by the Department of Trade and Industry are aimed at ensuring that the market works fairly in the interests of business, customers and investors alike. Business generally endorses the need for a framework of regulation in areas such as company and consumer law, which benefits businesses themselves as well as customers and investors. However, this does not lessen the need for regular scrutiny of legislation and its enforcement to ensure requirements are relevant to the modern market place, comprehensible and cost effective.

The Government are taking action in the following areas -

COMPANY LAW

The Government are committed to taking action to simplify the company law filing requirements both to benefit small firms and also to facilitate further streamlining of procedures at the Companies Registration Offices. Changes will include -

- simplifying the procedure for establishing a new company's accounting reference date
- reminding companies of their filing obligations by sending the necessary return forms (say) six weeks in advance of the due date
- replacing the present requirements governing the filing of annual returns and accounts with a single requirement covering both documents.

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The Government are committed also to taking early decisions on the proposals in the "Burdens on Business" Report for eliminating the statutory audit requirement for small companies and relating present rules on the content of small company accounts. The consultative document "Accounting and Audit Requirements for Small Firms" published by the Department of Trade and Industry on 4 June sets out the options for change and arguments for and against the proposals. Early decisions will be taken on the need for new legislation in the light of comments received by 30 September 1985.

CONSUMER LAW

The Government recognise the need for a framework of regulation in the field of consumer law in order to maintain basic standards of fair trading and adequate protection for the customer and, indeed, the honest trader and to assist the undistorted working of the market. Equally, we recognise the need to contain the consequential costs of regulation for business and government and the need to ensure essential regulation is straightforward and easy to comply with. Against this background the following changes are in hand.

As soon as Parliamentary time is available, replacement legislation will be introduced on misleading price indications. This will involve the repeal of the Bargain Offers Order which has been criticised by traders and enforcement authorities alike and replacing it and Section 11 of the Trade Descriptions Act 1968 by a new general provision against giving misleading price indications, with supporting detail in a statutory code. The statutory defences to prosecution under this legislation will be

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simplified to "all reasonable precautions and all due diligence".

Legislation will introduce a new general duty on product safety. Goods will be judged by the benchmark of "sound modern standards of safety". Full account will be taken of compliance costs as well as safety benefits in detailed application of the duty. Once this general duty is in place it should prove possible to dispense with, or at least to simplify, some of the existing regulations. There should be much less need for specific regulations: Prohibition Orders and Notices should be substantially reduced. The Government are shortly to consult interested parties in order to identify and decide on regulations which are priority candidates for rationalisation.

The report of the Eden Committee on "The Metrological Control of Equipment for use for Trade" (weighing and measuring equipment) has now been published. Initial consultation is to be completed by November 1985 and the Government will decide on detailed action to be taken ^A[by April 1986] ^B[during 1986] bringing forward legislation as necessary. The Government welcome the deregulatory aims of the Eden Report in making business more responsible for regulating itself. They see promise in many of the proposals provided that full confidence in fair trading can be maintained. The proposals could lead to a significant reduction in the burden on business and could also allow local authorities to use their manpower more cost effectively than is possible under current regulations.

The Consumer Credit Act 1974 has taken eleven years to put fully in place following implementation of the final regulations in May 1985, and a period of stability is now

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needed in the interests of consumers and businesses.

A[An important feature of the Act is that it replaces 12 existing Acts which were totally repealed and in addition partially repeals 47 other Acts. In the light of experience with the full regulations recommendations for changes will be carefully considered. The Government are aware that there have been problems and are ready to act to alleviate specific business difficulties. This has already been done in relation to documentation requirements for mail order traders.]

A more fundamental review of the Consumer Credit Act will be considered after the full structure has been in place for twelve months.]

B[An important feature of the Act is that it replaces 12 existing Acts which were totally repealed and in addition partially repeals 47 other Acts. The burden of changing business forms was irritating but inevitable; however, it has now been completed. The Government are of course ready to act to alleviate specific business difficulties - this has already been done in relation to documentation requirements for mail order traders.]

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CHAPTER 11

CUSTOMS AND EXCISE

VAT

1 VAT was the burden most frequently mentioned by small firms in the Burdens on Business report. Although raising the VAT threshold to take small firms out of the VAT net has been suggested as the most straightforward way to reduce this burden, there are a number of other changes which can help.

VAT THRESHOLD

2 The present VAT registration threshold of £19,500 is the maximum permitted under EC law. The Government believe that Member States should have more flexibility to raise their VAT threshold if they wish. This goal is being pursued through the initiative launched by the Prime Minister at the European Council meeting in March this year.

MONTHLY PAYMENTS PLAN

3 Some businesses would welcome the option of making more frequent VAT payments to help with cash management. A limited facility for making monthly payments together with monthly VAT returns already exists. Customs and Excise will mount a pilot scheme to establish whether extension of the system will prove helpful.

RETAIL SCHEMES

4 Traders sometimes wish to change their choice of retail scheme for VAT. "New" traders will be allowed in future to change between retail schemes at any time up to the first VAT control visit, with full retrospection. Greater scope will also be given to small traders who wish to change between retail schemes during the subsequent development of

their businesses, again with the benefit of retrospective recalculation of tax up to a maximum of 3 years.

DEDUCTIBLE INPUT TAX

5 Concern over the extent of information required to establish deductibility of input tax on mixed business and private motoring costs inputs arose last year. Revised guidance will only be issued after full consultation with business interests.

BAD DEBT RELIEF

6 Some businesses have complained that the VAT system does not automatically provide for bad debt relief. The current Finance Bill goes some way to meeting such complaints. Clause 31 extends VAT relief in accordance with the new provisions of the Insolvency Bill for administrators and administrative receivers where they are able to declare that in the event of a liquidation there will be no assets for distribution to unsecured creditors. This extension of bad debt relief is estimated to be worth £25 million to businesses in a full year. Provision for bad debt relief will be further reviewed within two years of the insolvency legislation coming into operation.

VAT ACCOUNTING SYSTEMS

7 The Burdens on Business report suggested that Customs and Excise should promote the use by small businesses of accounting systems including automated systems, which will help reduce the compliance costs of VAT. Customs and Excise staff will continue to encourage this on their visits to business premises. However, the need to limit staff numbers and to concentrate their activities on approving systems actually being used by traders precludes Customs and

Excise from giving any more general approval for VAT purposes of computer systems being offered on the market. However, the Government are exploring the possibility of an independent testing of standards which may help small businesses in their choice.

KEITH COMMITTEE RECOMMENDATIONS

8 The current Finance Bill provides for the implementation of most of the VAT recommendations of the independent Keith Committee. The approach suggested by Keith is not inconsistent with deregulation, proposing a balanced package of measures including decriminalisation of all but the most serious VAT offences and their replacement by a new system of civil penalties. The most important of these measures is the default surcharge which should be introduced in 1986 to provide a significant deterrent to the persistent late payment of VAT. Such late payment by some businesses discriminates unfairly against other businesses who pay their VAT on time. The new legislation should not place additional burdens on business but is intended to improve compliance with existing requirements on the timely payment of VAT. For the taxpayer who pays his VAT on time, and ensures that his VAT returns are accurate, the new measures will have no effect.

VAT ON IMPORTS

9 VAT has been paid on imports at the point of importation since 1 November last year. The system is similar to that operated in some other EC members and provides an average of one month's deferred payments by approved importers on deposit of a suitable guarantee. Fears about delays to trade have proved unfounded but there is concern that some importers do not receive the necessary documents in time to reclaim VAT on their next return. It

appears that such delays often result from late release of documents by agents. A study has been commissioned on ways to ensure that importers are able to reclaim VAT at the proper time.

10 Further consideration will also be given in the longer term to basing the VAT deferment system on imports on the registration of importers.

RETAIL EXPORT RELIEF

11 Payments of VAT refunds on exports depend on use of the official VAT form 407. The administrative burden on business would be reduced if a retailer's sales invoice could be accepted without the need for form 407 - but this has to be balanced against the need to protect revenue. The Government are studying the practices used by other EC members before taking any final decision.

12 Customs and Excise already have regard to the estimated cost of compliance by business with the requirements they impose and will continue to balance this against the need for effective collection of the Revenue. The tax collector is never popular, but VAT officers will continue to be mindful of the need to maintain public acceptability in the way they carry out their duties.

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CHAPTER 12

INLAND REVENUE/DHSS

Employment and self-employment

1 The question whether a person is employed or self-employed depends essentially on whether he is in business on his own account. But in deciding this there may be a number of factors to be taken into account. This is something on which it is obviously important for people to be as well informed as possible. The Inland Revenue have, therefore, very recently published a new leaflet which sets out as simply and clearly as possible the criteria for deciding whether a person is employed or self-employed. Copies of the leaflet are now freely available in all Tax Offices and DHSS Local Offices.

2 In decisions about a person's employment status, the two Departments principally involved - the DHSS and the Inland Revenue - rely on the same body of general law. They are taking a number of steps to ensure that decisions taken in the two Departments are consistent. In particular, they will be reviewing the guidelines to staff derived from case law and will be improving staff training. Arrangements are also being set in hand to achieve liaison in future where views over a person's employment status differ between the two Departments. This liaison will seek to ensure a consistent, swift and clear decision, once differences of view have been identified, with the minimum of inconvenience to the individual concerned.

3 It is perhaps not widely known that if earnings from self-employment are below a certain level (currently £1,925 per annum), National Insurance contributions need not be paid if exception from payment has been agreed by DHSS.

This exception is to be given greater publicity in future. People whose earnings are likely to be low will be encouraged to apply for it and the DHSS proposes to apply the exception to all new traders who apply for it.

Employers

4 Employers - particularly smaller employers - are clearly concerned about the costs of operating the PAYE and NIC deduction systems, and the Burdens on Business Scrutiny looked particularly at this area. It inevitably involves complex issues, a Green Paper on the reform of personal taxation is to be published later this year and that among the topics to be covered will be the possibility of putting PAYE onto a non-cumulative basis and of closer alignment between the tax and social security systems. Through the Green Paper the Government will be seeking as wide as possible a debate on these and other related issues and it will be taking the interests and views of business fully into account.

5 Employers sometimes question why they receive separate visits - to inspect pay and deduction records - from Inland Revenue PAYE auditors and DHSS NIC Inspectors. The two Departments are conscious of this and have been engaged on a joint pilot exercise in this field. They will now be going ahead with arrangements to ensure very much greater co-operation between each other in planning visits to employers to check PAYE and NIC records. The aim is that, when the arrangements are fully developed, no employer whose operation of PAYE and NIC is in order will need to be visited by more than one of the two Departments.

6 Employers also question the need for some enquiries on employees' NIC records. In future, the DHSS will make

maximum use of information on the employees P60 form so that fewer enquiries have to be made to employers over employees' NIC records.

7 Employers have drawn attention to the procedures for reporting expenses and benefits in kind paid to employees on form P11D. Inevitably, paying employees through benefits in kind involves employers in some extra reporting work, compared to straightforward cash payments. The burden of reporting has been reduced by shortening the P11D. But it can be further reduced if employers apply for a "dispensation" under which payments which clearly involve no extra tax liability do not have to be recorded on the P11D. This applies to employers of any size - large or small (subject to certain conditions such as expenses payments being subject to proper accounting and control). This facility for dispensations may not be as widely appreciated as it should be. The Inland Revenue will encourage wider use of dispensations. They will be publicised in a Press Notice. Particular attention will be drawn to dispensations on the form P11D and in accompanying guidance notes. Inland Revenue will remind staff in local tax offices that employers who meet the necessary conditions should actively be encouraged to apply for dispensations.

8 There is a particular need for help and guidance for new businesses when they are first taking on employees. The material for new employers dealing with PAYE and NIC has recently been revised and much improved and is now being incorporated in a new "Starter Pack". This pack includes a leaflet designed specifically for new employers and showing as simply as possible the basic steps involved in operating the PAYE and NIC deduction systems. The Government's aim is eventually to produce a single booklet dealing with all

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aspects of the employment relationships and associated requirements.

Apart from national insurance contributions (NICs) the main area in which DHSS currently imposes requirements on employers concerns the administration of the statutory sick pay scheme (SSP). There are also a variety of inquiries made of employers to determine entitlement to benefit, for example industrial injuries (II) benefit.

Statutory Sick Pay

SSP has been paid by employers for the first eight weeks of sickness since April 1983. The Social Security Bill, currently before Parliament, proposes that the period of SSP paid by employers should be extended to a maximum of 28 weeks from April 1986; and that employers should be compensated, with effect from April 1985, for the national insurance contributions they pay on SSP.

The Government consulted representatives of employers extensively before embarking on SSP, and has consulted them again about the legislation to extend the scheme currently before Parliament. The DHSS review of administrative and legislative requirements it imposes on business has concentrated on the existing SSP scheme. However, several of the options identified which could ease the burden on business - and particularly on small firms - are equally relevant to the proposed extended scheme. DHSS intends to issue a consultation papers to employers' organisations [in the next few weeks] floating the following possibilities:

- (i) allowing employers to opt out of SSP, providing they paid their sick employees wages at least as much as the appropriate SSP rate. This would allow a reduction in record-keeping for sick absences; and

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- (ii) some minor changes to the rules, in particular to make qualifying days rather than calendar days the basis of the scheme. This would afford some simplification in calculations and record keeping.

Industrial Injuries

The Government have reviewed the requirements on employers flowing from the administration of the II scheme. Several relate to the need to obtain earnings details; the Government are considering some useful simplifications, including the following:

- (i) relieving employers of 175,000 enquiries per year from DHSS local offices by using centrally-available New Earnings Survey data in future to determine levels of earnings and to calculate awards of special hardship allowance (SHA);
- (ii) we propose to simplify and redesign several of the forms including those used for occupational deafness enquiries so as to make them easier for employers to complete.

Other possibilities

DHSS is reviewing all tasks which it asks or requires employers to perform. This is being done in two parts: on the one hand, all areas of policy unaffected by the social security reviews, and on the other hand, the results of the review. DHSS will look rigorously at both lists to identify areas where there is scope for further deregulation. It will, however, be some time before detailed plans for implementing the review recommendations are drawn up.

EMPLOYMENT AND HEALTH AND SAFETY

1 The Department of Employment (DE) Group consists of the Department itself and a number of other statutory bodies with specific responsibilities in related areas: the Manpower Services Commission (MSC), Health and Safety Commission (HSC), and Advisory, Conciliation and Arbitration Service (ACAS). There are two main areas of legislation for which the Group is responsible: employment protection and health and safety.

2 Positive steps have already been taken to relieve the burdens on employers in these areas and further action is planned.

Information and Advice

3 First, greater efforts are to be made towards making information and advice for employers both easier to understand and more accessible. Simpler and more readable leaflets are being prepared covering employment protection and health and safety matters. The aim will be to give particular help to those starting up in business and employing people for the first time.

4 The Government also proposes that Jobcentres should be used more systematically and more widely both to provide premises for advisory bodies and as a source of a broader range of information.

Employment Protection

5 The Government has made a large number of legislative changes in this area aimed at easing burdens on employers including removing the onus of proof on employers in unfair dismissal cases, requiring tribunals to take account of the size and administrative resources of firms when coming to decisions, easing the impact of the maternity reinstatement provisions, especially for the smallest employers, and reducing the requirements for giving advance notice of redundancies involving less than 100 people.

6 employers are not always clear, however, about the extent of the requirements placed upon them and are sometimes unduly concerned about their impact. This is particularly true in the case of unfair dismissal and on the operation of industrial tribunals, where significant changes have been made.

7 One frequent complaint concerns the time of employers that can be taken up with frivolous or vexatious claims of unfair dismissal. In this respect the introduction of Pre-Hearing Assessment (PHA) procedures has had a significant effect. Applicants may be warned at the PHA that if they persist with claims that appear to have little chance of success they may be made liable for the costs of the other party. Experience shows that over 80% of those applicants who are given such a warning do not proceed to a full hearing.

8 Taken together with the most important recent relaxation which raised the qualifying period for unfair dismissal complaints to two years for all businesses, these changes mean that the real burden of employment protection has been substantially reduced.

9 The Government is also considering what further action can be taken to improve the information and advice available to employers in this area and to improve industrial tribunal procedures.

Health and Safety

10 The Health and Safety Commission takes every opportunity to repeal out-of-date legislation whenever new controls are necessary for dealing with important hazards. The Government does not believe that the requirement for any new regulations to maintain and improve existing standards presents difficulties here nor does it stand in the way of bringing forward new primary legislation when it is needed. The Government is committed to maintaining necessary protection and has no intention of down-grading health and safety standards either generally or in relation to small firms.

11 Nevertheless, there are a number of areas in which action can be taken to assist employers without any reduction in standards. These include:-

- raising the threshold of the requirement for the preparation of a written safety policy from five to twenty employees;

- making it clearer to employers both that they have a right to question Inspectors' decisions and showing them how this can be done;

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- improving the information available to small firms through a pamphlet being prepared in consultation with organisations representing small firms;
- giving specific training to Inspectors to increase their awareness of smaller firms' interests;
- building on the mandatory guidance that has already been given to local authorities to improve consistency and devising a national system of hazard rating for use by local authorities;
- including in consultative documents some assessment of the effects of proposals for regulation on small businesses; and
- designating one of the HSC Commissioners to represent the interests of small businesses.

12 In addition, the HSC recognises that the law governing the onus of proving whether or not a specific requirement is reasonably practical is complicated and will consider what useful guidance can be given.

13 Other areas on which action is either being taken or is being considered are:-

- women's hours of work - unnecessary restrictions and out of date discrimination on women's hours of work will be repealed which will also better ensure equality of opportunities in employment;
- Wages Councils - the Government has consulted widely and is now considering the options for reforming the Wages Council system (including the possibility of exempting young people and reducing the scope of regulation) or for abolishing it altogether.

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CHAPTER 16

COMMUNICATIONS AND ENFORCEMENT

Communications

The Government intend to improve the effectiveness of communication between the whole range of government agencies (central and local) and the business community. When officials frame regulations or implement them, they should always be aware of the effect on business. The Government intend that individual Departments should take greater care to assess the impact on business of proposals for regulations. The permanent arrangements set out in Chapter 00 will complement these efforts and provide scope for central monitoring.

Equally, it is the job of government to explain clearly to business how they can be affected by regulations and what their responsibilities are. The Government have identified two broad objectives:-

- (i) to improve the quality of Departments' published guidance;
- (ii) to simplify access to information and advice.

On (i) the Department of Trade and Industry has recently repackaged its support for industry schemes. The Inland Revenue has produced a "Starter Pack" for people setting up in business. And Customs and Excise have won plain English awards for two of their leaflets. To improve things still further, all Departments will be reviewing their publicity material designed to give advice and guidance to business. It is hoped that "starter packs" can be produced covering all the major regulations which affect business start-ups and expansions. Easy to read, simple guides will be prepared, together with more detailed - but still easy to read - reference documents. The intention will be that any ordinary small employer should not, in normal circumstances, need to refer to the detailed reference material.

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On (ii) Departments will also be reviewing their arrangements for making this written material available to firms and for providing advice by officials. Face-to-face interviews are often more acceptable than official letters. Improved telephone enquiry points and, perhaps, "freephones" will be introduced where this would help.

Local authorities

Communications with business about regulations should be as clear and straightforward as possible at a local as well as at a national level. Although local authorities have rapidly expanded their services to help small firms in recent years, the Government believe that there is still scope for improvement in terms of communication with business. To that end, the Government are actively considering the idea of "One-Stop Shops" within local authorities. These would essentially be single enquiry points providing information on local regulatory requirements, and quick referral to the relevant department of the local authority. The Government hope that as units of this kind prove their worth, they will develop a further role - representing the interests of firms dealing with other, regulatory departments within the local authority. Arrangements on these lines would ease significantly many of the administrative difficulties business, particularly small business, currently encounters in its dealings with local government.

The Department of the Environment will discuss with local authorities who are already active in helping small firms, how their services can be extended to a fully-fledged one-stop shop of the kind envisaged above. Steps will then be taken through the local authority associations to encourage the adoption of best practice. On the experience of what local authorities have so far achieved, the full development of a "one-stop shop" approach should involve only minimal additional expenditure. Indeed, if efficiency of operation were improved as a result, then savings might be possible.

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Enforcement Practice

The Government recognise that, particularly to someone just starting up in business, coping with regulations can be a daunting experience. They believe that a sustained effort to improve communications about regulations will go a long way to remove many of the difficulties which face the business community, and remove many of the misunderstandings which occur.

The Government also recognise that the way regulations are enforced can be as much a problem as the regulations themselves. Enforcement officers have a difficult task and there will inevitably be a degree of friction in some cases when action has to be taken against firms. But in recent years Departments have taken steps to try to reduce this friction to the basic minimum. The Government intend to build on these efforts in a variety of ways.

Those Departments with regulatory functions will be required to refer to compliance costs, and to the need to be sensitive to the concerns of the business community, in their individual management plans. In some cases, this already happens. The current Customs and Excise Management Plan refers to the need - "to have regard to the extent to which control requirements impinge on commercial activities, the effect on business costs and the need to adjust to commercial change and maintain public acceptability". Similar guidance will be applied in other Department. In parallel with this overall guidance, in order to bring the message home to those involved in day to day enforcement, Departments responsible for major areas of deregulation will also be issuing to staff similar, more detailed, guidance and objectives for units and individual officials involved in regulatory and enforcement activity. These will form part of the Departments' management information system process, which involves the setting of objectives for each unit.

In addition, the Government believe that in most cases it should be possible for Departments to develop guidelines on enforcement practice, available to members of the public.

The proposals for central government set out in paragraphs 00 to 00 above will be implemented by April 1986 at the latest. On local government, the Department of the Environment will be reviewing progress with [the central task force] by the same date.

Training

The Government also intend to improve the training given to enforcement officers. Most Departments already pay considerable attention to the training of their staff involved in enforcement and in many cases training programmes include elements which are designed to ensure that officials are fully aware of the impact their activity can have on businesses. The "Basic VAT" Training Course run by Customs and Excise, for example, includes two case studies on small businesses. In spite of these efforts there is a steady volume of discontent about enforcement activity. Accordingly, Departments will be revising their training programmes to give greater attention to "communications" and to the need for a sensitive approach to businesses.

Appeals

When things go wrong, it is important to have a speedy and effective way of resolving disputes. Most Departments will be setting up informal appeal systems so that businesses can appeal "up the line" within enforcement agencies. Departments' individual management information systems will incorporate these changes.

"Onus of proof"

Existing provisions governing the onus of proof, and the defences available to businesses in the event of prosecution, vary between different areas of regulation. These provisions can affect

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the way in which enforcement authorities exercise their powers in cases which do not involve prosecution or breach of the law as well as those which do. The Government intend to review the present position to see whether changes should be made or improved guidance issued. This review will be concluded by April 1986.

Coordinated visiting

It has also been suggested that officials from different Departments should coordinate their visiting programmes so that firms are not subject to a succession of visits from different officials. This obviously takes up scarce management time but there are obvious organisational problems for individual Departments. However, starting later this year two or three pilot studies in selected areas will be carried out to determine whether regulatory agencies can concert their efforts in this way and to assess the benefits to firms of having coordinated visits. A progress report on these pilot schemes will be produced by April 1986.

Review of Licensing Requirements

The "Burdens on Business" report also suggested that there should be a review of the wide variety of different licensing systems, so that the registration, notification, and inspection requirements of central and local government agencies could be rationalised. The Government propose to set in hand such a review, consulting the local authority associations and other interested parties, to be completed within 6 months.

Local Acts of Parliament

[The Government have also noted that while most local authorities are well aware of the need to avoid placing unnecessary burdens on the business community, some local Acts of Parliament can also have an adverse effect on business. They will be considering with the local authority organisations, and other interested parties, to what extent these local measures can reflect more closely the overall objectives of the Government - to give a balanced deregulation programme, in order to promote enterprise and jobs.] [This work will be coordinated by the central task force - see Chapter 00, paragraph 00.]

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[The task force, in consultation with the Management and Personnel Office, will also be responsible for monitoring the progress being made in Departments in implementing the various proposals on communications, training, and enforcement practice, and for ensuring that "best practice" in one area can be introduced in other parts of the government service.]

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CHAPTER 17

EUROPEAN COMMUNITY ASPECTS OF DEREGULATION

1 As recommended in "Burdens on Business", the Government have taken steps to complement the domestic deregulation strategy with measures to cut the burdens imposed by European Community regulations and directives. In response to an initiative launched by the Prime Minister, the European Council on 29/30 March agreed that priority should be given to action to reduce the administrative and legislative burdens on business, particularly on small and medium-sized enterprises, and called on the European Commission to report to them on the problems in this sector and on the measures to be taken at both national and Community level, particularly as regards administrative simplification.

2 To follow up this initiative, the Government have since put to the Commission and other member states an initial list of some 40 directives or regulations, adopted and in the pipeline, which we regard as excessively burdensome. We have held extensive discussions with the Commission to ensure that they not only review existing and proposed legislation but also, more importantly, establish a permanent procedure for vetting future proposals for their impact on business. We have encouraged the CBI, the Institute of Directors and other bodies, including those at Community level, to carry out their own review and to put the results to the Commission. We have also explained our main ideas to Ministers and to industry in some other member states, in particular through a series of recent visits by the Minister without Portfolio and officials to Paris, Bonn, the Hague and Brussels.

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3 The President of the Commission, Mr Delors, gave a progress report to the European Council on 28/29 June and undertook to present a substantive package of proposals to the Council at its next meeting in December. The European Council agreed that

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CHAPTER 18

NEW ARRANGEMENTS TO CONTROL REGULATION

"Burdens on Business" recommended a three-pronged approach to deal with the flow of government regulations:-

- (i) a structured analysis of each new proposal, to be prepared and published by the initiating agency concerned, including a systematic assessment of its impact on business enterprise
- (ii) critical scrutiny of the proposal, in particular of the assessment, by a small task force in central Government with real teeth; and
- (iii) regular overviews by the task force of proposals in the pipeline and the scope for eliminating, simplifying or rationalising existing requirement systems.

Experience of other countries such as the USA, the Netherlands, and the Federal Republic of Germany, suggests that systematic assessments of the likely effect of regulations, coupled with central monitoring, is an effective way of restraining the growth of regulations. The representations the Government have received from the business community are very much in favour of such an approach. [And as part of its response to the Prime Minister's initiative on European deregulation, the European Commission are developing a similar procedure to deal with their regulations (see Chapter 00). In the United Kingdom we intend to complement these European arrangements by setting up our own system of assessment and monitoring.]

While the Government have no wish to set up a new bureaucratic system they do see considerable merit in applying a more objective and systematic approach to the regulatory process. Accordingly, each Department will in future prepare assessments of the compliance costs of their regulatory proposals. They will nominate officials with special responsibility for this work, reporting to a minister.

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The main channels of communication between government and business interests will continue to be the departments which "sponsor" the sector concerned and the departments responsible for individual regulations. ["Burdens on Business" recommended that the latter should review and strengthen the arrangements for consultation with small business organisations. This recommendation is endorsed by the Government. Departments will be taking action and will be reporting back to a central task force by April 1986.]

The small central task force will be set [up as part of the Enterprise Unit of the Cabinet Office] - and bringing in expertise from the private sector. It is important, managerially and constitutionally, that responsibility for assessing regulations rests with the originating departments. But the task force will act as a focus of expertise. It will assist departments in the preparation of their assessments. It will carry out an "audit" function, by receiving regular reports from Departments on their systems of assessment and their results, and by scrutinising selected proposals and advising ministers about their acceptability, especially their likely effect on business. In addition, the task force would be involved in occasional reviews of particular subjects, such as the review of central and local government notification, licensing, and inspection requirements mentioned in Chapter 00.

It is not intended that these new arrangements would duplicate or disturb existing arrangements for consultation with business on specific proposals, such as the Department of Trade and Industry's existing links with business. The task force will be concerning itself, selectively, with regulations which have an impact on business, whatever the originating Department. It will not, however, be involved in consideration of Budget and revenue raising issues, which will remain the responsibility of the Chancellor of the Exchequer.

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[The Government have carefully considered whether there should be a regular annual report to Parliament on the work of the task force. They have concluded that, on balance, there is probably no need for such a formal arrangement, though the question will be kept under review.] In order to prevent the setting up of permanent machinery which may outlive its usefulness - and to serve as an example to others - the Government have decided that the life of the task force should be limited to about three years, in the first instance, at which stage there will be a review of its performance and achievements. The task force should be fully operational later this year, following further consultations with business, and the review will therefore be carried out in the Autumn of 1988.

The Government believe that the preparation of assessments, and the setting up of a central task force, will provide a strong mechanism for curbing undue regulation in future. These developments will complement the efforts being made within individual Departments, summarised in Chapters 00 to 00. They are a clear sign that the Government is determined to remove unnecessary regulations and to take more fully into account the interests of the business community - in order to promote enterprise, create jobs, and generate wealth.

Circular
(Department of the Environment)
Circular
(Welsh Office)

Joint Circular from the
Department of the Environment
2 Marsham Street, London SW1P 3EB

Welsh Office
Cathays Park, Cardiff CF1 3NQ

July 1985

DEVELOPMENT AND EMPLOYMENT

1. The White Paper on Deregulation (Cmnd ...) sets out the Government's overall approach to reducing controls and regulations in the interests of promoting enterprise. Chapter [] on Planning and Enterprise explains the action that the Government is taking to simplify the planning system and improve its efficiency, and relates this to the broader context. This circular (which is reproduced as an annex to the White Paper) deals with policy on development control under the Town and Country Planning Acts.
2. New development contributes to economic activity and to the provision of jobs. It is in the national interest to promote and encourage it. The planning system must respond positively and promptly to proposals for development. Delay adds to the costs of development.
3. Development proposals are not always acceptable. There are other important objectives to which the Government is firmly committed: the need to preserve our heritage, to improve the quality of the environment, to protect the green belts and conserve good agricultural land. The planning system, however, fails in its function whenever it prevents, inhibits or delays development which could reasonably have been permitted. There is therefore always a presumption in favour of allowing applications for development, having regard to all material considerations, unless that development would cause demonstrable harm to interests of acknowledged importance.

4. Authorities are obliged, under Article 7 of the General Development Order 1977, to give reasons whenever they refuse planning permission. Those reasons must be precise, specific and relevant to the application: they must demonstrate clearly why, in the local planning authority's view, the proposed development cannot be permitted. Without such a clear demonstration the developer will not know whether or not his proposal can be made acceptable, or the grounds on which he can base an appeal against refusal. As a result, valuable investment and new jobs, in construction, in commerce and in industry, may be delayed or lost.*

5. In dealing with applications for planning permission, Section 29(1) of the Town and Country Planning Act 1971 requires that the authority shall have regard to the provisions of the development plan, so far as material to the application, and to any other material considerations. Development plans are therefore one, but only one, of the material considerations that must be taken into account in dealing with planning applications. Many development plans were approved several years ago, often several years after they had been prepared and based on even earlier information. The policies which they contain, and the assumptions on which they were based, may therefore be out of date and not well related to today's conditions. They cannot be adapted rapidly to changing conditions, and they cannot be expected to anticipate every need or opportunity for economic development that may arise. They should not be regarded as overriding other material considerations, especially where the plan does not deal adequately with new types of development or is no longer relevant to today's needs and conditions - particularly the need to encourage employment and to provide the right conditions for economic growth.


6. It is important that local planning authorities should have regard to the special needs of small firms and the self-employed. The planning system can present serious difficulties for those seeking to set up or expand their business, even on a very modest scale. Local authorities can do much to help both in assisting small firms to cope with the planning process and by avoiding

* More detailed advice on the positive operation of development control is given in Circulars 22/80 and 16/84, and in relation to the use of conditions in Circular 1/85; advice on green belts is given in Circular 14/84.

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unnecessarily onerous and complex controls. The Department of the Environment, in consultation with the Local Authority Associations, will be issuing a further circular on this subject, together with an explanatory booklet for small firms.

7. The Secretaries of State and their Inspectors will have regard to the terms of this circular in dealing with planning appeals and with any application that may be made to them for the award of costs.

 (C)

PRIME MINISTER

1. I have been asked to attend your meeting on De-Regulation on Monday 1st July 1985 which stems from the scrutiny of "Burdens on Business". I have not seen any papers for the meeting but David Young has shown me the part of his draft White Paper concerned with a possible central unit. As I shall be away for the rest of this week visiting ICI factories in the North East, I am letting you have my views now.

(a) Systematic removal of non-essential requirements imposed by new and existing regulations is central to reducing burdens on business.

(b) Progress will only be achieved if Ministers and senior officials are genuinely seized of the need to tackle this. The lead you give on it, and any direct incentive which Ministers and Permanent Secretaries can be given to take it seriously, will be crucial. Without Departmental commitment the efforts of any central unit will be largely fruitless and may well lead merely to a new bureaucratic game. (I do not believe that simple imitation of the United States model would be effective). David Young's proposal that each Department should have a team doing systematic "Impact Analysis" on new and existing regulations seems to me to be a good practical way of proceeding.

(c) There is a role for a small central team. In my view this should be part of the Enterprise Unit and not a separate entity. It should consist of no more than three or four people. Its role should include encouraging Departments and disseminating good practice and examples of what can be done. It should assemble Departmental targets (not annually but quarterly to give a sense of urgency) and monitor progress. It should do nothing that removes the basic responsibility from individual Departments.

2. I have suggested to David Young that there may be practical and presentational advantage in his becoming a sort of informal De-Regulation "Ombudsman". Any businessman who believed that he was bearing an unnecessary burden for which he had been unable to get a satisfactory explanation from the Department concerned, could ask David to enquire into it. This might help to ensure that attention is given to burdens which in practice bother small businessmen rather than those which civil servants think significant.

3. I am copying this to Sir Robert Armstrong.



Robin Ibbs

27 June 1985

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The Rt Hon Norman Tebbit MP
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and President of the Board of Trade
Department of Trade and Industry
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NPPM
AT 26/6
27 June 1985**PUBLIC PURCHASING INITIATIVE (PPI)**

I read your paper to the Prime Minister with interest. I agree that purchasing has been a neglected area in the past and I strongly support the intention of the PPI to use public sector purchasing power to develop competitive British sources of supply.

So far, there has been limited opportunity within the DE Group to make a major contribution to PPI. The present arrangements for procurement through the crown agencies have not given us the flexibility to influence significantly the choice of suppliers. Where we are able to purchase directly and where it can be shown to be cost effective I can assure you that the DE Group will continue to support British industry.

We are considering our response to recommendations in the report on government purchasing. We are also examining the form of purchasing and supply machinery required within my Department. Our commitment to the implementation of PPI will of course influence how we take forward recommendations of the report and we will ensure that PPI is part of our future strategy. It is my intention that the official who would head such a function would also be charged with responsibility for the PPI.

A copy of this letter goes to the Prime Minister, to all Ministers in charge of Departments and to Sir Robert Armstrong.

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PRIME MINISTER

DEREGULATION

1. You are chairing a meeting of senior colleagues on Monday, 1st July, to discuss the work of the Ministerial Group on Deregulation (MISC 114) which is now nearing completion. In preparation for this meeting, I will be sending to you and colleagues the full text of the White Paper but at this stage I simply attach the first chapter, which, I believe, sets the whole of our work in context, and the chapter which deals with new arrangements to control regulation.

2. As Chairman of MISC 114, I should report that we have held a number of very useful discussions. I am grateful to the members of MISC 114 for their positive contributions. We have identified a number of policy changes which will relieve the burdens on business in a significant number of areas. In some instances we might have put forward more radical changes but on the whole I think we have assembled a strong package of measures which will go down well with the business community.

3. I also believe that those of our supporters who concern themselves with economic policy issues will be well pleased with our efforts, while the various vested interests which argue in favour of regulation should not be able to mount a convincing attack on our proposals. It is a pro-enterprise package but it adopts a balanced approach, recognising that some degree of regulation will always be both necessary and desirable.

4. There are a few unresolved issues which I will identify by square brackets when I circulate the draft of the White Paper. But overall we have put together a series of reforms - some major, some minor - which add up to a substantial package. This reflects

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the 'Burdens on Business' report which made it clear that it was the cumulative effect of many, sometimes ostensibly unimportant, regulations which firms found so debilitating. We have therefore identified many smaller candidates for deregulation which, taken together, will start to relieve the burden. They also complement the major items of our package which are:

- (a) Simplified planning zones; to extend to other areas the type of simplified planning regime already established successfully in Enterprise Zones.
- (b) Strong new DoE guidance to authorities on 'Planning and Enterprise', to put into practice the main recommendations of the Sainsbury Group, plus a new booklet for small firms explaining the planning system (and especially 'working from home').
- (c) A fundamental review of the Use Classes Order which currently inhibits changing the use of premises; the aim will be a substantial simplification of the present system to allow changes of use to take place far more easily than now and to remove artificial and outdated dividing lines.
- (d) Building regulations; simplified regulations come into effect in November and a further review will start shortly with the aim of reducing regulations to the minimum required to secure their essential function which is the preservation of public health and safety.
- (e) Substantial changes to the General Development Order to enable a wider range of developments to go ahead without planning permission (for example, extensions of up to 25% to factories and warehouses).

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- (f) VAT threshold: we can announce our intention to negotiate with the EC on a higher limit.
- (g) Statutory Sick Pay: we have decided that employers should be allowed to opt out. (DHSS say agree to consult on this proposal)
- (h) Elimination of statutory audit for small companies: we can refer to the public consultation which is under way, with a September deadline for comment.
- (i) Organisational improvements: a new requirement for Departments to assess compliance costs coupled with a central task force.

5. The last item is, I believe, a key element in our package. A majority of members of MISC 114 took the view, as I do, that there should be both a system of monitoring proposed regulations in individual Departments and, firmly linked to it, a central task force. The latter would have two main roles. First, it would work with Departments by providing advice on how their own monitoring functions might best be undertaken: I believe it is crucial that individual Departments should retain responsibility for their own regulations. Second, it would be responsible for providing Ministers with an analysis of Departments' progress on deregulation and would itself scrutinise certain selected proposals, especially as regards their likely costs on business and employment.

6. A minority of members of MISC 114 would prefer in this respect to rely solely on individual Departments but, in the light of experience both here and abroad, most of us felt that there needed to be a central unit. As to where the unit should be located, the choice lies essentially between the DTI, Treasury or Cabinet Office and most of us felt that the natural location would be the latter, probably as part of the Enterprise Unit.

7. The business community will welcome the establishment of a central unit. Far from seeing this as an addition to bureaucracy, they strongly support the concept, as is evident from the CBI's recent submission.

8. There will, of course, be some who say, in relation to our package as a whole, that we should have gone further but that is inevitable. I accept that individual Departments have had throughout to balance the impetus for deregulation against their other problems and preoccupations. And, of course, this is not the end of the exercise; I very much hope that we shall make deregulation a continuing priority. There are, however, a few areas where I think we might usefully consider going further now. For example:

- (a) On Wages Councils, the White Paper would clearly have even greater impact if it could announce that we have decided to abolish them or, alternatively, that we have decided to exclude young people from their coverage pending a final decision on the future of the Councils more generally.
- (b) On health and safety at work, I think employers would welcome the reinstatement of a unit within HSE to review the continuing need for specific regulations.
- (c) On consumer credit, although there are counter-arguments, in addition to making ad hoc changes in response to particular urgent problems, I would prefer to see a commitment to a general review of the Act after one year.
- (d) On the controls on late night refreshment houses, I think we should consider whether the White Paper should canvass the possibility of abolition. The Ministry of Agriculture, although not on MISC 114, have put forward this item as one where they feel reform is overdue.

Continuing review.

Review on licensing

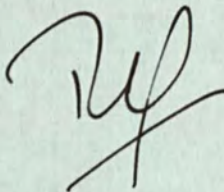
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PUBLICATION

9. It is my intention, subject to our discussion on Monday, to seek to clear the text of our White Paper with E(A) colleagues (and, of course, with MISC 114) with a view to publication on or about 15th July. I hope we can publish well before the Recess so that we can obtain the maximum Parliamentary and publicity advantage. I am sure that the package will be welcomed as a major step in our continuing strategy to promote enterprise and generate jobs.

10. I am copying this minute to Willie Whitelaw, Geoffrey Howe, Leon Brittan, Nigel Lawson, Patrick Jenkin, John Biffen, Norman Fowler, Norman Tebbit, Tom King, Grey Gowrie, John Wakeham, Tim Renton, David Trippier, Sir Robin Ibbs and Sir Robert Armstrong.



DY

26th June, 1985

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CHAPTER 1

1. There are two key elements in the Government's economic policy: to keep down inflation and offer real incentives for enterprise. Low inflation is the very bedrock of an expanding economy but is not sufficient in itself. It is the growth of Enterprise, the efforts of millions of our people engaged in the creation and development of businesses large and small that is the real driving force of the economy. This paper is about one important aspect of helping enterprise to grow - by reducing burdens imposed on business by administrative and legislative regulation.

It sets out the case for more freedom in the business sector and the need to deregulate. It reinforces the Government's commitment to reducing unnecessary constraints on the creation of jobs and wealth. It reviews what the Government has done already. It outlines the way in which a new permanent mechanism will operate - to ensure that all proposed new legislation and regulation will be examined for its impact on business and systematically to review existing rules and remove or simplify them where they impose unnecessary burdens.

But this must be done with care. The line between liberty and licence is fine and can easily be crossed. We have to bring about the conditions to promote growth but not abuse. It is on this basis that this paper is presented.

2. The Government want to see an economy in which firms, large and small, have the ability to expand - and thereby win extra business and create more jobs. That is now happening. Published estimates indicate that the employed labour force has increased by more than 600,000 since the Spring of 1983. New business formation and self-employment are greatly increasing. Between 1980 and 1984 the VAT register shows that 140,000 more new businesses set up than closed down. This decade has seen an increase of over half a million in the number of self-employed people to over 2½ million - the highest figure in the last 60

years. Indeed last year our economy created more jobs than the rest of Europe put together. But this is still not good enough.

The Government must do all it can to accelerate the process for without healthy business, and the jobs and wealth they create, the country will simply not be able to afford the things we all desire: pensions, health services, education and all the other calls on government expenditure.

3. The amount of regulation which new and established firms face acts as a brake on enterprise and the wealth and job creating process. Deregulation means two things. First, freeing markets and increasing the opportunities for competition. Second, lifting administrative and legislative burdens which take time, energy and resources from fundamental business activity.

FREEING MARKETS

4. On the first, the Government have made good progress and there are more proposals in the pipeline. We have freed up long distance coach services, domestic and international air services, spectacles and mobile cellular radiophones. The Government have abolished controls on foreign exchange, dividends, hire purchase and bank lending. In every case that has brought benefits in terms of more choice, better services, lower prices, greater international competitiveness, freedom from bureaucratic control and the clear potential to increase employment.

LIFTING THE BURDEN

5. On the second aspect of deregulation, the Government believe that despite considerable efforts to get the balance right the scales are still tipped too far against business. For the best of motives, regulations have grown over the years to a stage where many of them are too heavy a drain on our national resources. Too many people in central and local government spend too much of their time regulating the activities of others. Some regulations were framed a century and more ago, have been added to or amended, and now bear little relevance to the modern business world. Other

regulations are too complex and confusing even to professional advisers (and sometimes to the people who administer them, too). Many regulations are necessary and it is, of course, Government's responsibility to ensure that flexibility and freedom are not abused by those who would flout the proper interests of customers, consumers and employees. We must maintain our quality of life. But we have to strike the right balance.

6. This is not just a British problem. The tide of legislation has risen inexorably over the years in all countries of the western world. The United Kingdom has not been immune. The chart shows - as a rough guide - how the volume of UK legislation has grown since the 1930s.

	<u>STATUTES</u>	<u>STATUTORY INSTRUMENTS</u>	<u>TOTAL NUMBER OF PAGES OF LEGISLATION</u>
1930	800	2000	2800
1935	1520	1800	3320
1940	500	2685	3185
1945	890	2985	3875
1950	1000	4065	5065
1955	750	3240	3990
1960	1160	4225	5385
1965	1820	6455	8275
1970	1510	6810	8320
1975	2810	8655	11460
1980	2875	7390	10300

(figures rounded to nearest 5)

Of course, not all of this legislation directly impinges on business. Some of the more recent legislation has been necessary in order to restore greater freedom and flexibility to citizens

and the economy - for example, enabling sales of council houses to take place, and through returning nationalised industries to the private sector. But overall there is no doubt that we suffer from the sheer weight of legislation and controls. That is why, like administrations in the U.S.A., The Netherlands and West Germany, the Government wants to stem this flow. The cumulative weight of legislation must clearly be examined rigorously to ensure that its benefits outweigh its costs. We want less - and better - regulation.

7. Moreover, the evidence shows that although individual regulations may themselves be minor, the cumulative effect is time-consuming and costly. In a competitive environment, businesses already have enough to do. They have to respond quickly to changing consumer needs, to plan and monitor their financial, marketing, personnel and investment activities skilfully and flexibly. The impact of regulation takes its toll in diverting precious time and energy that would be far better used in generating products, services, sales - and, in the end, jobs.

8. The burden is that much greater on small business where the owner/manager is wholly responsible for all aspects of the business and the people he or she employs. Every hour spent on form filling is one less hour spent on running the business. Moreover, this can put off the potential entrepreneur or drive him or her unwillingly into the 'informal economy'. These small and new businesses are precisely those we need to encourage to set up, expand and take on employees.

9. Regulation also imposes burdens on the state itself through the need for the explanation and enforcement of often complex rules to businesses. A good deal of the time and energy of officials in central and local government is taken up by enforcing and applying regulation; simplification will save time, money and staff effort for government itself as well as making life more straightforward.

THE JOB TO BE DONE

10. The present White Paper is not the first step on the road. Deregulation has been a continuing priority of the Government since 1979 and much has already been achieved. For example, over a million fewer statistical forms are sent to businesses today compared with 1979. A central mechanism has been established to ensure that all business surveys are reviewed in detail on a regular basis and only allowed to continue if approved by the responsible Minister. Planning procedures have been speeded up and local authorities have been encouraged to grant permission to business development unless there are pressing reasons to the contrary. The burdens of the Employment Protection Act on business have been considerably reduced and, by taking advantage of flexibility in the European Community directives on company law, disclosure requirements on annual returns have been reduced for small firms.

11. The Government are now making a concerted drive to speed up this process of reviewing existing regulation and ensuring that new regulation is examined carefully for its impact on firms both large and small. We have considered carefully the work done in other countries, in particular in the U.S.A. In the first two years of President Reagan's administration, the concerted deregulation strategy which he introduced has reduced the pages of regulation in the Federal Register by one third as compared with the final two years of the previous administration. The United States Government estimate that this has produced once-off savings of \$9-11 billion and annual savings of \$6 billion in costs to government and business. They also report that the number of new businesses in deregulated industries increased faster than in the overall economy in 1982 and 1983. Definitions in the U.S. and U.K. are, of course, different but the clear indication is that deregulation stimulates economic activity. It will never be possible to prove a direct causal relationship between deregulation and job creation. But the evidence suggests that there is a link. And commonsense dictates that if unnecessary restraints are removed, then people are more likely to set up businesses or expand them.

12. The package of measures presented in this paper is the result of an intensive exercise within Government Departments, carried out in close consultation with business. Work in the Department of Trade & Industry had previously revealed much dissatisfaction among small businesses with the costs and complexity of regulation. This led to an inter-departmental scrutiny of administrative and legislative burdens on small businesses announced by the Prime Minister on 1st August, 1984. The report of the scrutiny 'Burdens on Business' (ISBN 0 11 513820X) was published in March 1985.

13. 'Burdens on Business' identified options for change and was published to stimulate debate and comment. Among the key findings the report concluded that:

"Compliance with Government requirements imposes real additional costs on business, particularly on small firms and 'new starters'. They can be a barrier to market entry"

and

"Though most firms are managing to cope with the burdens, action to reduce it offers benefits for jobs and for the 'white economy'."

14. In a survey conducted among 200 businesses by Research Associates, as part of the 'Burdens on Business' report, 52 firms reported they had lost or not taken on an average of 6.5 employees each year over the last five years due to the inhibiting or costly effect of regulations. Some jobs were gained by some 15 firms in order to deal with regulation but the net job loss judged to have taken place in this sample of 200 firms was over two hundred. And there are 1.6 million businesses in the country.

15. Complementing the 'Burdens on Business' exercise, the Department of Trade & Industry conducted a survey among large firms to identify the extent to which regulation impacts on their business activities. This showed that action to reduce the burden of regulation was as relevant to larger businesses as to small.

16. Following publication of the 'Burdens on Business' report, a Ministerial committee, under the chairmanship of the Minister without Portfolio, was set up to carry forward this initiative and the findings in the survey of large firms. The opportunity was given for outside organisations and individuals to offer their views. Many submissions have been received from individual businesses and representative organisations. They include numerous individual recommendations. But overall their message is clear. Regulation remains a major obstacle to the growth of employment and enterprise in this country. That is a message which we cannot ignore.

17. This White Paper is largely concerned with deregulation within the United Kingdom but there is, of course, a European dimension which is likely to become increasingly significant. The European Community imposes regulation on business and the Government are working with their partners towards similar reviews of existing and future burdens. Chapter 00 deals with this aspect.

18. In Europe there is clear recognition of a common problem and a shared resolution to take action. Within the United Kingdom there is a similarly widespread acceptance of the need to review regulations. As a result of the Government's initial review of the scope of deregulation, following up the 'Burdens on Business' Report, they have identified a number of areas where reforms should be made, covering the responsibilities of a range of Departments. Chapters 00 to 00 set out what is proposed - a series of practical, carefully thought out reforms. Some of these are major; others are not. But it is the cumulative burden of regulation - both major and minor - that saps the energy of business. It is that burden which the Government is determined to reduce - but with care and concern for all in our society.

CHAPTER 18: NEW ARRANGEMENTS TO CONTROL REGULATION

"Burdens on Business" recommended a three-pronged approach to deal with the flow of government regulations:-

- (i) a structured analysis of each new proposal, to be prepared and published by the initiating agency concerned, including a systematic assessment of its impact on business enterprise
- (ii) critical scrutiny of the proposal, in particular of the assessment, by a small task force in central Government with real teeth; and
- (iii) regular overviews by the task force of proposals in the pipeline and the scope for eliminating, simplifying or rationalising existing requirement systems.

Experience of other countries such as the USA, the Netherlands, and the Federal Republic of Germany, suggests that systematic assessments of the likely effect of regulations, coupled with central monitoring, is an effective way of restraining the growth of regulations. The representations the Government have received from the business community are very much in favour of such an approach. [And as part of its response to the Prime Minister's initiative on European deregulation, the European Commission are developing a similar procedure to deal with their regulations (see Chapter 00). In the United Kingdom we intend to complement these European arrangements by setting up our own system of assessment and monitoring.]

While the Government have no wish to set up a new bureaucratic system they do see considerable merit in applying a more objective and systematic approach to the regulatory process. Accordingly, each Department will in future prepare assessments of the compliance costs of their regulatory proposals. They will nominate officials with special responsibility for this work, reporting to a minister.

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The main channels of communication between government and business interests will continue to be the departments which "sponsor" the sector concerned and the departments responsible for individual regulations. ["Burdens on Business" recommended that the latter should review and strengthen the arrangements for consultation with small business organisations. This recommendation is endorsed by the Government. Departments will be taking action and will be reporting back to a central task force by April 1986.]

The small central task force will be set [up as part of the Enterprise Unit of the Cabinet Office] - and bringing in expertise from the private sector. It is important, managerially and constitutionally, that responsibility for assessing regulations rests with the originating departments. But the task force will act as a focus of expertise. It will assist departments in the preparation of their assessments. It will carry out an "audit" function, by receiving regular reports from Departments on their systems of assessment and their results, and by scrutinising selected proposals and advising ministers about their acceptability, especially their likely effect on business. In addition, the task force would be involved in occasional reviews of particular subjects, such as the review of central and local government notification, licensing, and inspection requirements mentioned in Chapter 00.

It is not intended that these new arrangements would duplicate or disturb existing arrangements for consultation with business on specific proposals, such as the Department of Trade and Industry's existing links with business. The task force will be concerning itself, selectively, with regulations which have an impact on business, whatever the originating Department. It will not, however, be involved in consideration of Budget and revenue raising issues, which will remain the responsibility of the Chancellor of the Exchequer.

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[The Government have carefully considered whether there should be a regular annual report to Parliament on the work of the task force. They have concluded that, on balance, there is probably no need for such a formal arrangement, though the question will be kept under review.] In order to prevent the setting up of permanent machinery which may outlive its usefulness - and to serve as an example to others - the Government have decided that the life of the task force should be limited to about three years, in the first instance, at which stage there will be a review of its performance and achievements. The task force should be fully operational later this year, following further consultations with business, and the review will therefore be carried out in the Autumn of 1988.

The Government believe that the preparation of assessments, and the setting up of a central task force, will provide a strong mechanism for curbing undue regulation in future. These developments will complement the efforts being made within individual Departments, summarised in Chapters 00 to 00. They are a clear sign that the Government is determined to remove unnecessary regulations and to take more fully into account the interests of the business community - in order to promote enterprise, create jobs, and generate wealth.



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With the Compliments of
the Private Secretary to
the Secretary of State



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copied to P. Young

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
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LONDON SW1A 2AS

21 June 1985

ALP

DEREGULATION

Thank you for your letter of 31 May inviting my views on the application of energy conservation regulations to commercial buildings.

First, can I say that we have never been involved in any complaints about these. In the main we are being urged by industrialists to extend the regulations to prevent new buildings from being subject to the same fundamental weaknesses in energy efficiency that many buildings have contained in the past.

As you know, we are in the middle of the biggest ever drive on energy efficiency. I enclose a booklet we have prepared "Making Buildings Pay". You will see from this that there is massive improvement which can be obtained in energy efficiency in buildings.

I have briefed 16,000 senior executives at early morning seminars. I think for the Government to announce a policy of removing the existing regulations would be seen as a considerable contradiction to the whole thrust of our drive. I am sure this would only result in a shift towards less energy efficient construction techniques.

I have no wish to bring in extensions to regulations and have resisted many pressures both from vested interests and industrialists to do so.

I share your desire to move the bureaucratic barriers to employment. However I really do not believe that the energy conservation regulations are other than in our economic interest.

I am sending a copy of this letter to the Prime Minister, George Younger, Patrick Jenkin, Douglas Hurd, and members of MISC 114 and Sir Robert Armstrong.

Peter Walker

PETER WALKER



Chancellor of the Duchy of Lancaster

PRIME MINISTER

MULTI DEPARTMENT REVIEW OF OFFICE ACCOMMODATION MANAGEMENT

--- I attach my report on this review together with the more detailed report of the central team based in Cabinet Office (MPO).

I believe the reports are important. They identify potential savings of up to £50 million a year. They also draw attention to the need for improvements in maintenance and in the working environment, which is a poor advertisement for Government and bad for the morale of the civil servants. (We thus seem to be getting the worst of both worlds - lavish use of space while at the same time providing a bad working environment for our staff.) The reports demonstrate how departments can improve their management of accommodation within the overall framework of control of running costs. In addition they provide useful insights into the roles of line managers, accommodation managers and PSA which will be of help in our deliberations on the future relationships between departments and PSA. The comments of the central team on the development of the Property Repayment Service (PRS) will help consideration of Patrick Jenkin's proposals on this issue, which was the subject of your Private Secretary's letter of 20 May.

Background

In July last year you agreed that the 1984 Efficiency Programme should include a Multi Department Review of departmental office accommodation management. Scrutinies were carried out in eight departments and the review was coordinated by a central team in MPO with additional members from PSA, Treasury and the private sector (the Prudential Assurance Company). The examining officers in departments and the central team have done a thorough job.

Handling

I commend the central team's report to you. I believe it provides a firm basis for achieving a much needed improvement in the way departments manage their accommodation as well as opening the way to potentially large savings.

As a next step, I recommend that you welcome the report and ask Ministers in charge of departments to draw up plans for action on the report's recommendations within three months. Subject to your approval, I suggest that these action documents be submitted to me and that MPO co-ordinate the follow-up to the review in consultation with Treasury and PSA and prepare a progress report for you in 12 months (in line with recommendation 26 of the central team's report). I

should perhaps add, in view of the Efficiency Unit's recent report to you on the implementation of scrutinies, that the central team believe a 3 year implementation period is needed because of the long lead times involved in accommodation matters.

I also recommend that the central team's report be published. This is normal practice with reviews and is a useful stimulus to action by departments. It also makes consultation with the unions - which we are obliged to undertake - easier and avoids the possibility of leaks. If you agree, I would prepare a preface welcoming the report and setting out how we see progress being made.

I would be grateful for your approval of the reports and your agreement

- to commissioning action documents from all Government departments; and
- to publish the central team's report, *which is proposed*

I am copying this minute and enclosures to Peter Rees and Patrick Jenkin and to those Ministers who supervised the departmental scrutinies - Peter Walker (Energy), Tom King (Employment), Barney Hayhoe (Customs and Excise), John Moore (Inland Revenue), John Butcher (DTI), Michael Spicer (Transport), Rodney Elton (Environment) and Jean Trumpington (DHSS). Copies also go to Sir Robert Armstrong and Sir Robin Ibbs.

h.c.b.

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GOWRIE
20 June 1985

MANAGEMENT OF OFFICE ACCOMMODATION IN GOVERNMENT

REPORT BY LORD GOWRIE

In the last few years there have been major changes in the management of government departments to improve value for money and bring running costs under control. Civil departments spend £850 million a year on office accommodation and it represents the largest element of running costs after pay (15.5% of the total for civil departments). Yet accommodation costs have often received less attention than other running costs. This report shows briefly how Government departments should manage accommodation to get full value from an important resource and to contribute to bringing down the cost of government. It is based on the findings of a multi-department review co-ordinated by a team of officials located in Cabinet Office (MPO), a copy of which is attached.

Immediate Action

Government offices cover 6.6 million sq.m. of floor space in over 4500 buildings - an estate larger than any private sector company's. The review found that 5-10% of this space could be given up over the next three years, yielding savings of up to £50 million a year by reduced rents, rates and maintenance.

But the picture is not uniform. In some parts of some departments (particularly Department of Employment) there is still overcrowding. And many Government buildings are drab and unprepossessing. This can damage the Government's image and the morale of civil servants. However, the review's findings on the use of space in departments confirm that the first task is to cut out the waste of space.

Long term reforms

To achieve better use of accommodation, however, improvements in management are needed. The Property Repayment System was introduced in order to bring home to departments the cost of accommodation and can be developed to do this better. But departments must ensure that their internal scrutiny and budgeting systems allow for line managers to be fully aware of and responsible for accommodation resources they consume, including excess space.

Annual budgeting should flow from medium and longer term planning. Accommodation, the second biggest item in departmental running costs, is particularly inflexible. There is a long lead time for both acquisitions and disposals. Accommodation managers should consider the accommodation consequences of proposals with their initiators. They should develop strategies to be tied in with overall departmental strategic planning. All major accommodation decisions need full investment appraisal

To back up planning and budgeting, departments need effective information systems for accommodation. They need to collect, through regular surveys, details of the use of space. This information must be used to promote action to release spare space or, where necessary, take on more.

Most importantly, accommodation managers and line managers alike need clear statements of their respective roles and responsibilities. They should agree upon the service accommodation managers will aim to provide. Accommodation managers should be selected and trained for a more positive role. They should, for instance, plan preventive maintenance or energy conservation measures and not merely react to emergencies.

Similarly, the respective roles and responsibilities of PSA and departmental accommodation managers need to be clear.

A formal statement should be set out and agreed, backed up by service agreements at local level. There should also be regular liaison meetings to improve the exchange of information and develop joint planning. Departments should be fully involved in discussions on further development of the PRS system, through an enlarged and more representative inter-departmental Committee. The Committee will no doubt wish to look at the central team's discussions of

- the £1000 limit for delegated minor works;
- how PSA charges for maintenance work; and
- where financial responsibility for new works should lie.

New Priorities

Above all, government needs to look again at its priorities on accommodation. Rent and rates form a much greater proportion of costs than maintenance but civil servants occupy larger offices than they need. At the same time offices are both under-maintained and drab. They create a poor impression on visitors and staff alike. Neglected maintenance is reducing the value of the estate and storing up additional costs for the future. The private sector tends to use less space but provides staff with a better working environment. Savings in space could help finance higher standards of maintenance and decoration without any increase in overall costs.

Accommodation is an expensive resource. Let us make the best use of it if we can.

CONFIDENTIAL

ND PM

BT 20/6

AW



Minister for Housing and Construction

Department of the Environment
2 Marsham Street London SW1P 3EB
Telephone 01-212 7601

19 June 1985

Len Norman,

PUBLIC PURCHASING INITIATIVE (PPI)

You sent a copy of your minute to the Prime Minister of 20 May to Ministers in charge of Departments, inviting written responses. I am replying as I have responsibility for the implementation of the PPI in DOE and PSA (including The Crown Suppliers).

I am content with what is proposed. I agree that renewed impetus for the policy should be organised in collaboration with the new Central Unit on Purchasing. The purchasing organisations for which I have responsibility, including The Crown Suppliers as one of the central agencies examined in the MPO report, the Works side of PSA, and DOE are anxious to collaborate.

These organisations are all developing proposals for implementing the report's recommendations. The Crown Suppliers' action plan supports the emphasis of both the PPI and the MPO report on obtaining value for money and savings on buying-in prices, and using purchasing power in the long-term interest of British industry.

Over the Department as a whole, the majority of purchases are made against performance or performance-based specifications, rather than against detailed technical specifications. PSA including The Crown Suppliers are making strenuous efforts to involve small firms in their contracts wherever possible; in 1983/84 one third of The Crown Suppliers business was placed with firms employing 100 people or less.

The Department is represented on the Treasury's Public Procurement Committee, and the three organisations for which I have responsibility make regular returns to the Treasury on individual aspects of the PPI. Internal monitoring arrangements will be developed to incorporate the recommendations of the MPO report.

CONFIDENTIAL

CONF MACH: Rayw Pt 18

CONFIDENTIAL

Once the Central Unit on Purchasing is in operation, the Head of the Unit will no doubt want to discuss progress with us, and this will be welcomed.

A copy of this minute goes to the Prime Minister, all Ministers in charge of departments and to Sir Robert Armstrong.

I.G.

IAN GOW

CONFIDENTIAL



From the Minister

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

NDPM AD 18/84 CND

The Rt Hon Lord Young of Graffham
Minister without Portfolio
Cabinet Office
70 Whitehall
London SW1A 2AS

17 June 1985

DEREGULATION

Thank you for your letter of 31 May asking whether my Department might wish to make a contribution to the work of the Ministerial Group (MISC 114) on deregulation of which you are Chairman.

I am, of course, aware of the "Burdens on Business" Report and that it is necessary for Departments to ensure that regulatory burdens on industry are kept to a minimum. Indeed, I have been much reassured by the internal enquiries here, made in response to your letter, that my Department is fully meeting these obligations. Not only is considerable emphasis being placed on minimising the burdens on industry when new legislation is drafted, but the effects of existing legislation are being thoroughly monitored and, wherever possible, action is being taken to ease the burdens on businesses.

As an example, we are currently consulting representative organisations on the proposal to liberalise the arrangements for the importation of veterinary medicine. At present, only the licence holder or his authorised agent under the Medicines Act 1968 is permitted to import a veterinary drug. The proposal is to allow importation of a licensed product by anyone, whether or not he is named on the product licence. Further wholesale or retail sale of the imported product would be subject to existing legislation.

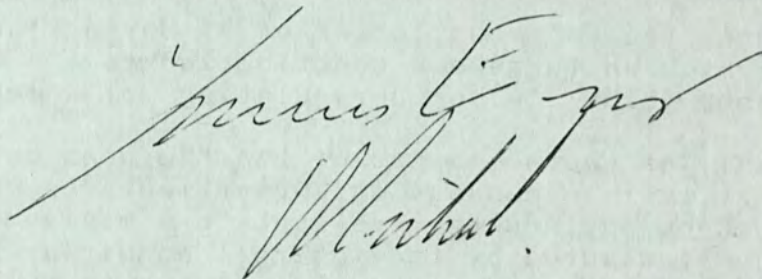
/ There are, ...

There are, of course, a number of areas of MAFF work where regulatory control is essential; for example, restrictions on the movement of animals and plants following outbreaks of certain diseases. On such occasions, the industry itself benefits from the protection afforded by these controls.

The Cabinet Office recently conducted an exercise whereby Departments were asked to identify EC measures which were considered to impose unnecessary restraints on industry and, for ease of reference, I -- enclose a copy of a schedule prepared by my Department for that purpose. This indicates four areas where the UK would prefer relaxation of certain rules in order to benefit industry.

In view of my findings, whilst I have a personal interest in the aims of the Ministerial Group, I do not consider it necessary for my Department to take an active part in the discussions.

Copies of this letter go to the Prime Minister, Peter Walker, Nicholas Ridley, members of MISC 114 and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'Michael Jopling', written in a cursive style. The signature is positioned above the printed name.

MICHAEL JOPLING

MEASURES WHICH, WHILE, IN THE UK INTEREST OVERALL,
COULD BE SIMPLIFIED TO ELIMINATE PARTICULAR BURDENSOME ASPECTS

<u>Subject Area</u>	<u>Parent Regulation</u>	<u>Burdensome Aspects</u>
Community aid for peas, beans and lupins	1431/82	Time limits and record keeping requirements excessively precise.
Beef and Veal Regulations	805/68	Complex rules on release of securities lodged with IBAP and on processing sales.
Sheep Annual Premium Scheme	3007/84	One hundred day retention period for ewes; premium payable only to tuppied animals in lamb.
Suckler Cow Premium Scheme	1357/80	Rigid rule on number of cows to be maintained to avoid forfeiture of full premium; 50% of claimants total income required to come from farming.

Raynes: Gov MAeth. Pt. 18.



L03ATQ

file

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

The Prime Minister has seen Sir Robin Ibb's minute of 12 June about the report in the Times of that day based on the publication of a DTI memorandum containing selective quotations from Sir Robin Ibb's letter of 22 August to the Secretary of State.

The Prime Minister agrees that it would be helpful to remind Departments that Sir Robin Ibb's correspondence and dealings with Ministers are confidential, and will be happy with his suggestion that you might mention this at one of your regular meetings with Permanent Secretaries. Subject to your views, the Prime Minister is also inclined to think that it would be a good idea for Sir Robin Ibb to write to the Times in order to remove the slur on the management of the DTI which Mr. Bevins' report implied. I mentioned this suggestion to the Secretary of State in the margins of Cabinet this morning and he said that he would be content for Sir Robin to write to the Times for this purpose.

I am copying this minute to Mr. Mogg (Department of Trade and Industry), Sir Robin Ibb and Mr. Bernard Ingham.

RM

13 June 1985



NBPM

Ref. A085/1606

MR BUTLER

attached

I have seen Sir Robin Ibb's note of 12 June to the Prime Minister about the report in The Times of 12 June.

2. If the Prime Minister agrees, I will mention at my next meeting with Permanent Secretaries the need to treat Sir Robin Ibb's work as confidential, save where it is specifically agreed that it should be otherwise.

RA

ROBERT ARMSTRONG

13 June 1985

CONQUEROR

cc. Mr. Ingham
Mr. Elsher

0.10



Prime Minister

Agree x?

FERB

12.6.

CONFIDENTIAL

Yes - very much so
mf

PRIME MINISTER

My attention has been drawn to an item in today's "Times" (copy attached) which claims I told Norman Tebbit that his first year's work in getting value for money from his Department's £1.5 billion budget had not come up to scratch. I regard the report as slanted and mischievous.

The statement in the Times is based on selective quotations from a letter (copy also attached) which I sent to Norman on 22nd August last year as part of my programme pressing Departments to set worthwhile challenging targets, and following up the Value for Money Seminar which you had had with him.

It seems that the reason for the item appearing in the Times is that the DTI and the Treasury decided to include an internal DTI memorandum, which quoted selectively from my letter, as part of a document on "Top Management Systems" published this Monday. It is of course greatly to Norman's credit that he used the strictures in my letter as part of his drive to improve the performance of his Department. It is ironic that because of what to me is an astonishing decision on publication, it should have back-fired in this way.

I believe that the advice and observations that I put to Ministers in the course of my work as your adviser on efficiency should be treated as confidential, with only occasional specifically agreed exceptions. Disclosures such as the present one make it too easy for the Press to make mischief.

x | I suggest that it may be helpful if Departments are reminded that my correspondence and dealings with Ministers are confidential. Perhaps Robert Armstrong could mention this at one of his regular meetings with Permanent Secretaries.

I am copying this to Norman Tebbit and Robert Armstrong.

Robin Ibbs

12 June 1985

Enc.

I think it would be worth Robin writing to the Times. Attention the report by Tony Junis (the who a slur on Norman) looks mf

THE TIMES

Tebbit's budget under scrutiny

By Anthony Bevins
Political Correspondent

The head of the Prime Minister's Downing Street efficiency unit has told Mr Norman Tebbit, Secretary of State for Trade and Industry, that his first year's work in getting value for money from his department's £1.5 billion budget had not come up to scratch.

An internal Whitehall document published by the Treasury yesterday stressed the importance of value for money targets - economy, efficiency and effectiveness - in each and every division of Mr Tebbit's empire.

But a letter sent to heads of DTI divisions on September 26 last year said: "Their importance has recently been underlined by Sir Robin Ibbes, the Prime Minister's adviser on efficiency and head of the Cabinet Office Efficiency Unit."

Departmental officials were then told: "In a recent letter to the Secretary of State he said, with reference to the 1984 Activity and Resource Management System/Divisional Work Programme round, that 'last year's work does not seem to have led to the setting of verifiable value for money targets in many areas."

"I trust that the work which is now in hand... to set targets for 1985/86 will produce many more specific, testable, dated and quantified targets."

Within days of the letter being sent out, Mr Tebbit, and his wife, Margaret, were to become victims of the IRA bombing of the Grand Hotel in Brighton.

But publication of the Ibbes letter, part of a Cabinet Office-Treasury review of Whitehall's financial management, underlines the belief at Westminster that Mr Tebbit has failed to come to grips with his department's voracious appetite for cash.

It is that view which has fed speculation that the Prime Minister is planning to switch Mr Tebbit to the chairmanship of the Conservative Party and use a hard-headed business manager like Mr Michael Heseltine, the Secretary of State for Defence.

Sir Robin Ibbes is a director of ICI and was called into government service by Mrs Thatcher in 1983 to follow up the efficiency review which had been launched, to Whitehall consternation and resistance,

by Lord Rayner, chairman of Marks and Spencer.

The latest DTI Activity and Resource Management exercise began in January and will continue until next March.

On value for money, officials were told that targets should link, in a logical fashion, the three elements of cost-effective administration:



Sir Robin Ibbes, adviser on efficiency to Mrs Thatcher

"Economy - in the claim on resources (as measured by the ratio of staff to enquires or applicants); efficiency - in the claim on resources; effectiveness - in meeting certain external objectives (as measured by investment related to each £1 of DTI expenditure."

The Treasury documents also included a paper on *Resource Allocation in Departments*, which suggested that spending programmes which had previously escaped attention, because they were not subject to policy change or pressure for additional resources leading to a search for offsetting savings, would come under closer scrutiny.

Late edition

Tebbit's budget under scrutiny

By Anthony Bevins
Political Correspondent

The head of the Prime Minister's Downing Street efficiency unit has told Mr Norman Tebbit, Secretary of State for Trade and Industry, that his first year's work in getting value for money from his department's £1.5 billion budget had not come up to scratch.

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It is that view which has fed speculation that the Prime Minister is planning to switch Mr Tebbit to the chairmanship of the Conservative Party and use a hard-headed business manager like Mr Michael Heseltine, the Secretary of State for Defence who initiated Whitehall's Management Information Systems in the Department of Environment.

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EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233 7359

22 August 1984

The Rt Hon Norman Tebbit, MP
Secretary of State for Trade
and Industry

Dear Mr Tebbit,

EFFICIENCY WORK IN 1984/85

I owe you a reply to your letter of 2 July, on which you were able to expand in your presentation to the Prime Minister on 10 July and 1 August.

I am impressed by the amount of work in the efficiency area which is going on in your Department, and by your personal commitment to it. I was however concerned that last year's work does not seem to have led to the setting of verifiable value for money targets in many areas. I trust that the work which is now in hand, and which you are aiming to complete by December, to set targets for 1985/86 will produce many more specific, testable, dated, and quantified targets.

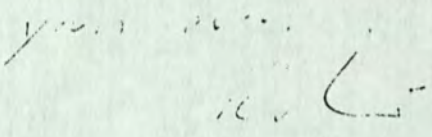
Your Divisions will have many performance targets which are not specifically related to value for money. But I hope to see for each Division at least one value for money target - either to produce a greater output for the same amount of money, or the same output for a smaller cost - among its objectives. It would be impossible to bring to the attention of the Prime Minister and other colleagues the whole range of your Department's value for money targets, but I would invite you to consider selecting for wider attention say five or six of them, relating either to the most important of your "businesses" or to areas which appear to offer special scope for improvement, where ambitious targets can be set and real progress can be demonstrated.

It is clear that a lot of efficiency work in your Department is being conducted outside the formal Scrutiny framework. I hope, however, that you will bear in mind the special advantages of the Scrutiny approach and maintain a lively programme in 1985. The scrutinies currently in train seem promising, and I am delighted

that you have agreed to find an Assistant Secretary to lead the Scrutiny which the Prime Minister has requested of the legislative and administrative burdens on small firms. This is obviously a high priority, and we must lose no time in getting it under way.

I have just received from Norman Lamont the Action Document arising from David Coates's review of selective financial assistance. That Scrutiny raised important questions about the efficacy of selective assistance to industry, to which the Prime Minister's comments on your presentation were highly relevant. I have not yet studied the document, but I shall be most interested to see how far you feel able to phase out forms of assistance of which the benefits cannot be demonstrated.

With regard to the Financial Management Initiative, I find it disappointing that it seems to be taking so long to introduce a new Management Information System for your Department. This is clearly a constraint on the development of other aspects of the FMI, such as the extension of Responsibility Cost Centres into the Central Policy Divisions. I cannot help feeling that you have been poorly served by the consultants who have received such large fees for advising you on the MIS.


ROBIN IBBS

905 TRACH
Meyre
MVA

CONFIDENTIAL

cc No

NBM
12/6



QUEEN ANNE'S GATE LONDON SW1H 9AT

12 June 1985

Norman

You sent me a copy of your minute of 20 May to the Prime Minister about the Public Purchasing Initiative (PPI).

In the context of our follow-up to the MPO Report on Government Purchasing, I welcome the relaunch of the PPI. It should strengthen the competitiveness of UK suppliers and help us to get better Value For Money in government purchasing.

Pending John Butcher's discussions with the head of the Central Unit on Purchasing, your interim proposals seem a sensible way forward. Simon Glenarthur has taken on the specific Ministerial responsibility for applying the PPI previously held by Rodney Elton. Our head of the Finance Accountancy and Procurement Unit has personal responsibility for taking forward action on the MPO Report. She will also be responsible for action on the PPI.

You asked departments to review their own progress in applying the PPI. We are aware from our own review of purchasing that there have been difficulties in PPI implementation. However, we are not large purchasers of foreign goods. In 1984, less than 6% of spend went to foreign suppliers. You will doubtless be aware that the Directorate of Telecommunications worked closely with your department in looking for UK suppliers for their WARC equipment purchases. As part of our response to the MPO Report, we will be issuing new guidance on purchasing procedures and clarifying roles and responsibilities. This should ensure that staff at all levels are aware of and apply the PPI.

The installation of a comprehensive purchasing information system which can also monitor application of the PPI is a slightly longer term exercise. But in the meantime, we are keeping records on an individual case basis from which we can assess progress.

We have already benefitted from your scheme to support innovation. We installed a model automated office for the Leicestershire Police Force under your sponsorship. I will remind others in the Home Office who might have suitable projects of the source of funding from your department.

I see no pressing need for a collective Ministerial discussion of the PPI. I hope we are all agreed on the principles and accept that implementation must go hand in hand with the work we are all doing to improve our purchasing generally. I am copying this to the Prime Minister, Grey Gowrie and Sir Robert Armstrong, but not to other colleagues.

Norman

The Rt Hon Norman Tebbit, MP

CONFIDENTIAL

GOVT MACH: Rayner: Pt 18



10 DOWNING STREET

From the Private Secretary

MR. BEESLEY
EFFICIENCY UNIT

-1

You will be interested to see the attached letter I have received from the Department of Transport.

(Mark Addison)

12 June 1985

CST.

CONFIDE



Secretary of State

ND/M
BS
13/6
c/NO

CC
Prime Minister
Ministers in charge of Depts
Sir Robert Armstrong

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON
SW1H 0ET

11 June 1985

Dear Norman,

PUBLIC PURCHASING INITIATIVE

Thank you for sending me a copy of your minute of 20 May to the Prime Minister. Your note was a timely reminder of the importance of PPI within the context of current more general work on public purchasing, but I do not think we need to discuss the issue at E(A). The institutional arrangements for the Government purchasing for which I am responsible are rather different from those in other Departments and are under review in the light of "Government Purchasing".

I will look again at the arrangements for the application of PPI in the light of the results of that review. I am confident that I can arrive at arrangements which will suit our particular circumstances and which will increase the effectiveness of PPI in Northern Ireland.

I am copying this letter to the recipients of your minute.

Tom,
Dylin.

500

WACH

Meyner PE 8

CONFIDENTIAL

SG10



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Mark Addison Esq
Private Secretary
10 Downing Street
LONDON SW1

11 June 1985

Dear Mark,

IMPLEMENTATION OF EFFICIENCY SCRUTINIES

You wrote to Private Secretaries on 17 May regarding the Prime Minister's endorsement of the Efficiency Unit's study on the implementation of scrutinies.

My Secretary of State has asked me to say that he has looked at the state of play on all the scrutinies which have been conducted in this Department. He has found that of ten completed scrutinies, action is outstanding on only three; some of these scrutinies pre-date 1982 and in each case only one or two recommendations remain to be implemented. The Secretary of State thinks it is noteworthy that in these cases further progress hinges not on the Department but on the actions of other agencies or on the need to find time for amending legislation. These factors need to be borne in mind when looking at the speed of implementation.

The Secretary of State agrees with the recommendations made in the Efficiency Unit's report. He will be putting these into operation in this Department as quickly as possible.

Yours sincerely,

Henry Derwent

HENRY DERWENT
Private Secretary

CONFIDENTIAL

God mach - Rayner Pt 19

FERB said to
destroy as revised
version is coming.



10 DOWNING STREET

Thank you. Pl. hold
it. PRS

Robin,

Dept. Employment
rang - This item was
submitted to you
without Alan Clark
seeing it. They
would like it to
go no further at
the moment.

P. 116.



Parliamentary Under
Secretary of State

Robin Butler Esq
Private Secretary
10 Downing Street
LONDON
SW1

Prime Minister
The examples of convictions
in the Annex would be
particularly worth bringing
out. X
on p. 2 of the
letter is relevant
to the meeting on
unemployment
measures tomorrow.

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213..... 6620/6690
Switchboard 01-213 3000

11 June 1985

FERB
17-6

Dear Robin

VALUE FOR MONEY SEMINAR - DEPARTMENT OF EMPLOYMENT GROUP

My Minister, Alan Clark has seen your note to David Normington of 6 June about the Department of Employment Group.

As you know my Minister is responsible for the operation of the Unemployment Benefit Service and the detection of benefit fraud. He is also responsible for Work Permit Control, which is also a subject on which the Prime Minister expressed concern.

The first of the special exercises in concentrating Regional Fraud Teams in high vacancy areas is about to conclude. The Prime Minister asked for examples of people exploiting the system to which she could give publicity in forthcoming interviews. I append an annex illustrating some of these.

The cost effectiveness of the Regional Fraud Teams (RFTs) is higher than the already satisfactory levels achieved by the general benefit fraud sector. RFTs consist of only 93 staff in nine separate teams. In 1984/85 they investigated 30,000 cases and induced net benefit savings of over £2m.

The Prime Minister also expressed concern about, 'foreigners', taking ... 'jobs which residents were capable of undertaking'. Mr Clark has been particularly strict about enforcing the existing criteria for the issue of work permits. Apart from inter-company transfers, which are temporary, have a strong reciprocal element, and tend to rise with an upturn in economic activity, (as over the last 12 months), and certain exceptions regarding admissions from the dependent territories, number of permits issued shows a steady reduction from 18,000 in 1979 to 12,600 in 1984, a reduction of about one third.



Mr Clark has also asked me to record his comments on Lord Young's note about Long Term Unemployment of 6 June, paragraph 3, which proposed a tax credit to the long-term unemployed:

X | "The majority of the long-term unemployed are not held in very high esteem by their peers. People who have been resolutely in work supporting family obligations out of their earnings, sometimes at levels only £15-20 higher than the benefit entitlement, will be deeply indignant that the long-term unemployed - whose benefits their neighbours have contributed through their own taxes for so long - should now be 'credited' by putting their take home pay at a level which may in some cases exceed others who are performing an identical job."

I am copying this to Leigh Lewis.

Yours ever

Judith Rutherford.

JUDITH RUTHERFORD
Private Secretary

BENEFIT FRAUD - CASE STUDIES

I Cases where claimants have signed off the unemployment register but no decision has yet been taken to prosecute: examples from the Thames Valley exercise

- 1) A claimant with two part time jobs, one as a laundryman and the other as a roofing labourer, was also signing on and drawing £45.00 per week.
- 2) A full time driver who also had part time work on a self-employed basis and was drawing £51.00 per week benefit.
- 3) A full time class I employed security officer drawing £53.00 per week.
- 4) A labourer working on a part time basis with maximum earnings in one week of £89.00 was also drawing benefit amounting to £55.00 per week.

NB/ Decisions on prosecution have yet to be taken in all these cases.

II Recent cases where prosecution has been successful

- 1) A claimant received over £4000 in benefit over a long term whilst he was working as a taxi driver. He was sentenced to 12 months imprisonment on each of 5 charges to run concurrently.
- 2) A shop assistant received £105.67 unemployment benefit whilst working was fined at total of £750 and also had to repay the entire amount overpaid together with the cost of the prosecution.

- 3) A man working as a lorry driver claimed £419 unemployment benefit. He was sentenced to 3 months imprisonment on each of 5 charges.

- 4) Approximately 25% of a Lancashire Firm's workforce of 200 were found to have made fraudulent claims to benefit. 47 employees were fined a total of £7340 plus costs amounting to £1260.

GOVT MACHINERY.

Raynes . P. 18

CC 100



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

JU625

Secretary of State for Trade and Industry

7 June 1985

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

MBPM

D Peter,

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

Thank you for your letter of 4 June about the publication of the reports of the Financial Management Unit.

2 I still think it is unfortunate ^{to say the very least} that the main findings of the report on Policy Work and the FMI should make such sweeping criticisms, not clearly supported by the evidence in the report. However, I accept that these reports will be published on the basis that they represent the views of officials, and not Government policy. On this basis, and recognising that there is general agreement on publication, I am content for this to go ahead.

3 I am sending copies to the private secretaries of Ministers in charge of Departments, to Sir Robin Ibbs, and to Sir Robert Armstrong.

NORMAN TEBBIT

Govt Mach.: Kaynes 1718
" "

file



059

10 DOWNING STREET

From the Private Secretary

6 June 1985

Dear John,

PUBLIC PURCHASING INITIATIVE

The Prime Minister has seen your Secretary of State's minute of 20 May. Subject to the advice of the Attorney General on how any public statements should be drafted, she is content that he proceed as proposed in paragraphs 4 and 5.

I am copying this letter to the Private Secretaries to Ministers in charge of Departments, and to Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew Turnbull

Andrew Turnbull

John Mogg, Esq.,
Department of Trade and Industry/

CONFIDENTIAL

059



Minister of State

Mark Addison Esq
Private Secretary
10 Downing Street
LONDON
SW1

Dear Mark,

HARD-TO-FILL VACANCIES: NOTE FOR THE PRIME MINISTER

Further to your telephone conversation with Mr Morrison I attach:

- a note (Annex 1) giving examples of jobcentres experiencing particular difficulties in filling vacancies.
- a note (Annex 2) summarising the national picture including the geographical areas and types of occupation worst affected.

The Prime Minister may well want some good examples of the wages being offered for unfilled vacancies. I should be grateful if you would ring me tonight about any additional information required and I will get it to you first thing tomorrow morning.

*Yours sincerely,
Stuart Lane*

STUART LANE
Private Secretary

*cf. p.c. or vake for many file.
MCA 7/6*

Department of Employment
Caxton House Tothill Street London SW1H 9NF
Telephone Direct Line 01-213... 5949
Switchboard 01-213 3000

Prime Minister.

I understand you working for some facts and figures on skill shortages for your David Frost interview tomorrow. Peter Morrison has provided the attached at start 6 June 1985


note, which may be helpful. A Sun press report is also attached.

There may be many reasons for the shortages (training, balance of pay & benefit availability of benefit, attractiveness of the job etc). But the facts show that there are already plenty of right spots in the labour market as the economy picks up.

MCA 6/6

<u>Jobcentre</u>	<u>Region</u>	<u>Occupations</u>
1. Staines	London	Security, Catering, Driving - competition from surrounding areas for workers.
2. Kingston	London	Engineering and Construction Skills ; also part time vacancies are a problem.
3. Slough	South East	132 skill shortage vacancies identified, mainly in Engineering and construction also same in high tech eg electronics engineers.
4. High Wycombe	South East	70 skill shortage vacancies, mainly in engineering eg Machine tool setters and setter operators. Also construction, particularly electricians.
5. Sevenoaks	South East	15 skill shortage vacancies, 7 in engineering and 6 carpenters.
6. Coventry	Midlands	Difficulties are being experienced in finding engineering skills in an area which is traditionally an engineering area. Occupations for which there are a shortage includes Centre Lathe turners, Millers and Grinders.
7. Smethwick	Midlands	Difficulties with skilled engineering as above. Also some secretarial vacancies.
8. Bristol	South West	Shortage in Secretarial and typing of which a contributing factor is a lack of adaptability, also no training by employers to meet requirements of changing technology.

LONG DURATION VACANCIES

1. The survey of Long Duration Vacancies (SLDV) conducted in March asked Jobcentres to report on every 2nd order which had been outstanding for more than 2 months. The survey is designed to provide information on skill shortages and other reasons for vacancies being hard to fill.
 2. The stock of unfilled vacancies at Jobcentres in Great Britain was 146,057 in March of which 20,000 had been unfilled for more than 2 months. Skill shortages were concentrated in London and the South East followed by Wales, South West and Midlands some way behind.
 3. The main occupations identified as skill shortages were:
 - Machine Tool Setter Operators
 - Mechanical Maintenance and Repair Occupations
 - Sewing Machinists
 - Chefs and Catering Supervisors
 - Nurses
 4. Vacancies which were hard to fill (but not skill shortages) most often occurred in selling occupations and in catering, cleaning, hairdressing and other personal service occupations.
- 

Porn rap for BT calendar

● BRITISH TELECOM bosses were branded "pimps and soft porn merchants" yesterday in a row over a saucy calendar.

● Two hundred delegates at the National Communication Union's clerical group conference in Blackpool slammed Telecom's calendar showing girls draped provocatively around pipes and ducts below the slogan: "Dial Before You Dig."

● The calendars were sent to contractors warning them about digging up phone cables by mistake.

Sun special on a shock problem for firms

GISSA WORKER!

Town that can't fill its spare jobs

By JOHN KAY

JOBs paying up to £230 a week are going begging despite record unemployment.

The town of Sevenoaks, in Kent, has 400 unfilled vacancies, with more than 1,000 men and women there on the dole.

And that amazing situation is being repeated in other towns around the country.

There are two main reasons:

● **THE LAZINESS** of some unemployed people who are comfortably off on the dole.

A married man with two children can easily collect £100 a week from social security.

So he asks himself: "What is the point of working to end up just a few pounds better off each week?"

● **THE FAILURE** to match up the unemployed to the posts that are vacant.

Often, a jobless person does not have suitable skills. Others are reluctant to move to a new area to find work.

In Sevenoaks, both Government and private employment agencies have scores of good jobs on offer.

Select Employment in the High Street has about 180 vacancies.

SEVENOAKS

Agency official Wendy Ogilvie-Taylor said: "Our vacancies have quadrupled in the last four years."

"If only somebody bothered to walk into our office, it is highly likely they would walk out with a job."

The Sevenoaks Job Centre has 214 vacancies. Manager Rita Gilfellow said: "Our message to the unemployed is: Please come in and see us."

Local businessman Roger Hogg desperately wants toolmakers—to save his family firm.

LIFE ON THE DOLE

A MARRIED man with two children, who has been out of work for over a year, would get from social security each week:

Supplementary benefit	£45.55
Child under five	£ 9.60
Child aged 11 to 15	£14.35
Rent and rates (ave.)	£30.00
Free school meals	
worth	£10.00
Heating allowance	£ 2.10
Total	£111.60
MINUS child benefit	
for two children	£13.70
Grand total	£97.90

MAKE FRIENDS

with **data link**

INEXPENSIVE COMPUTER DATING

It makes sense

to join a large modern Organisation
... I've been really impressed by your overall efficiency ... not least my partners being within a reasonable travelling distance ... You have obviously analysed the problems ... I am very grateful for all your attention and efforts ...
Mr. C. T. (Lancashire)

"Twenty out of ten for finding me a gorgeous man. Mike and I hit it off right from meeting."
Miss S. N. Sussex.

I am now engaged to the very first person I met through your Organisation. We are very much in love, and I can't thank you enough for your

Who joins Datalink?

In simple terms everyone! We have Members of all ages and from every walk of life. Professional, manual, students yes even titled people.

And our Service is

£130 A WEEK

WANTED: Robert Young Removals, Storage and Shipping, of Sevenoaks, are looking for a removal man.

Wages: £130 a week (£3.25 an hour). Hours: 8am to 4pm. Skills: HGV Class 3 driving licence. Age: Over 21.

National Insurance contribution: £11.70. Income tax: £19.07. Take-home pay: £99.23.

£140 A WEEK

WANTED: The B.L. Plastics Company, of Vestry Estate, Sevenoaks, is seeking a plastics laminator.

Wages: £140 a week (£3 an hour plus overtime). Hours: 8am to 6pm, including overtime. Skills: Fully-trained or training available. Age: Immaterial.

National Insurance contribution: £12.60.

It makes sense

to join a large modern Organisation
... I've been really impressed by your overall efficiency ... not least my partners being within a reasonable travelling distance ... You have obviously analysed the problems ... I am very grateful for all your attention and efforts ...
 Mr. C. T. (Lancashire)

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 Miss S. N. Sussex.

I am now engaged to the very first person I met through your Organisation. We are very much in love, and I can't thank you enough for your fantastic service.
 Miss C. H. Bradford

Who joins Datalink?

In simple terms
 everyone! We have Members of all ages and from every walk of life. Professional, manual, students yes even titled people.
 And our Service is **STRICTLY CONFIDENTIAL**

Just Consider the facts

- ★ We are based in the centre of England, yet we cover the ENTIRE country. You can be sure of finding a local partner.
- ★ We advertise in most local papers every week - providing a constant supply of New Members everywhere.
- ★ We genuinely CARE that you are matched with compatible partners.
- ★ You will find Datalink REAL value for money - probably the least expensive National (Computer Dating) Agency. We economise on PRICE - but not on SERVICE.



FREE COMPUTER TEST

1000s of delighted Members have completed our Questionnaire. Why not fill in this simple version. We will send you FREE and in COMPLETE CONFIDENCE full information about Datalink AND details of just ONE of the many Datalink Members who we feel you would like to meet. It could well lead to 'Life's most wonderful Gift', a friend, a companion, a partner for Life.

Please process this completed questionnaire; send me full information on Datalink, AND details of someone you believe will be compatible. I understand that this is FREE and WITHOUT OBLIGATION.

I am over 17. **START HERE**

Occupation _____
 Nationality _____

YOUR PERSONALITY:

Are You

Shy	<input type="checkbox"/>	Outgoing	<input type="checkbox"/>
Nervous	<input type="checkbox"/>	Self-Confident	<input type="checkbox"/>
Affectionate	<input type="checkbox"/>	Fun Loving	<input type="checkbox"/>
Romantic	<input type="checkbox"/>	Ambitious	<input type="checkbox"/>
Intellectual	<input type="checkbox"/>	Creative	<input type="checkbox"/>
Tolerant	<input type="checkbox"/>	Generous	<input type="checkbox"/>

Your sex (M/F) Your height Your age

Age range of person you wish to meet Min Max

Surname _____ First Name _____

Address _____

DATALINK; P.O. BOX 100, STRATFORD-UPON-AVON

..... phone (0789) 750092. (24-hr Reply Service) SN6

SEVENOAKS

Agency official Wendy Ogilvie-Taylor said: "Our vacancies have quadrupled in the last four years."

"If only somebody bothered to walk into our office, it is highly likely they would walk out with a job."

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Local businessman Roger Hogg desperately wants toolmakers—to save his family firm.

Mr Hogg, managing director of the Otford Tool Company, said: "My

and Shipping, of Sevenoaks, are looking for a removal man.
 Wages: £130 a week (£3.25 an hour).
 Hours: 8am to 4pm. Skills: HGV Class 3 driving licence. Age: Over 21.
 National Insurance contribution: £11.70.
 Income tax: £19.07. Take-home pay: £99.23.

£140 A WEEK

WANTED: The B.L. Plastics Company, of Vestry Estate, Sevenoaks, is seeking a plastics laminator.

Wages: £140 a week (£3 an hour plus overtime). Hours: 8am to 6pm, including overtime. Skills: Fully-trained or training available. Age: Immaterial.

National Insurance contribution: £12.60.
 Income tax: £22.07. Take-home pay: £105.33.

SEVENOAKS

last toolmaker came from Australia and he returned home last Saturday.

"I've got £500,000 worth of equipment and hardly anyone to use it. I may have to pack up soon."

Expanding insurance firm Confederation Life of London wants to open a branch office in Sevenoaks.

But they have had a vacancy for a life and pensions consultant registered at the local job centre for more than A YEAR at a starting salary of £230-a-week.

Marketing manager Peter Cotterell said: "We are just not getting any takers. We cannot understand it."

£160 A WEEK

WANTED: The Otford Tool Co., Riverhead, Sevenoaks, is desperately searching for toolmakers.

Wages: £160 a week (£4 an hour). Hours: 8am to 4.30pm Monday to Friday. Skills: Toolmaking indentures. Age: Immaterial.

£230 A WEEK

WANTED: Insurance firm Confederation Life, of London, are seeking a life and pensions consultant to be based in Sevenoaks.

Wages: £230 a week to start. Hours: 40 a week, including some evening work. Skills: O-levels, on-job training available. Age: 25-45.

National Insurance contribution: £20.70.
 Income tax: £49.07. Take-home pay: £160.23.

3 HURT AS LIGHTNING STRIKES Vicar in a votes brawl

THREE people were hurt yesterday as lightning hit a house.

They were rescued by firemen as flames swept through the house in Hookley, Essex.

A fire brigade spokesman said: "It seems a bolt of lightning started the blaze."

The lightning also knocked out radio aerials at the Thames Valley Police headquarters in Kidlington, Oxon, as thunderstorms swept southern England.

to keep below 50mph on the M3 motorway in Hampshire as torrential rain out visibility.

The sudden storms washed out a week of sunshine that put Mediterranean resorts in the shade.

Last night the London Weather Centre would not forecast any immediate let up in the storms.

A VIOLENT punch-up between councillors including a vicar erupted last night as a Sinn Féin member was elected vice-chairman of one of Ulster's new district councils.

Louis McBride raised clenched fist victory salute at Maghrafelt, Londonderry, and sparked a 30-minute battle between Unionists and Republicans before police separated them.

Master

File

cc: Sir R. Armstrong
Sir R. Ibb

10 DOWNING STREET

From the Principal Private Secretary

6 June 1985

Dear David,

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT GROUP

The Prime Minister held a meeting with your Secretary of State, your Minister of State and Sir Michael Quinlan at 1615 on Wednesday 5 June about efforts to improve value for money in the Department of Employment group. Sir Robert Armstrong, Sir Robin Ibb and I were present.

Your Secretary of State gave a presentation about the group's expenditure. A copy of the slides which he used is attached.

As regards administrative expenditure, your Secretary of State said that the group was well advanced on the applying of the financial management initiative and had published a developed set of plans, which would come into full operation this year. The focus of responsibility was at Assistant Secretary level. Reports were made through Sir Michael Quinlan and the senior management group to the Minister of State. Central decisions about the allocation of resources were referred to the Secretary of State. The machinery would be supported by a resource information system which would display the resources account-holders had available to fulfil their tasks. The adoption of these principles had already led to some spectacular examples of local cost-saving. On programme expenditure, the group already had in place a well developed system of annual reviews of the effectiveness of expenditures through the manpower group in which the Treasury, the Department and the MSC took part. In promoting the effectiveness of the MSC programmes, the relationship between the Minister of State and the Chairman of the MSC, with oversight of MSC activities throughout the United Kingdom, was crucial.

Discussion of the Secretary of State's presentation started on the cost of delivering unemployment benefit. The average of £3.20 per fortnightly payments was relatively high because claimants were required to present themselves to unemployment benefit offices and demonstrate that they were available for work, and because safeguards had to be taken against fraud. On the other hand, there was

088

reason to believe that even these measures were not sufficient to ensure that those obtaining unemployment benefit were genuinely seeking work. Your Secretary of State said that he was undertaking a detailed examination of all those on the unemployment register in the Crawley area and that a campaign against fraud was in progress in the Thames Valley area. He believed that these initiatives would help to identify measures to limit the extent to which claimants could obtain unemployment benefit without genuinely seeking work. He would be reporting to the Prime Minister on this aspect shortly. The availability of benefits to students was being examined separately under the leadership of the DHSS.

Sir Robin Ibbs said that he would like to work with the Department in establishing clear targets to be achieved in obtaining better value for money in the group's programmes over the next three years. A meeting had been arranged to carry this work forward later this month.

Summing up the discussion, the Prime Minister said that effective measures needed to be taken to ensure that those drawing unemployment benefit were genuinely seeking work. The aim should be to ensure that claimants could not avoid work on the grounds that nothing was available to fit their requirements: in the last resort there should always be some work available of the sort provided under the Community Programme, or under 'Workfare' in the United States, which any claimants could be required to undertake, whatever their skills. If your Secretary of State would provide examples to her of people exploiting the system by drawing benefit when they were not genuinely seeking work she would give publicity to them in forthcoming interviews. Attention should also be given to the work permits issued to foreigners to ensure that they did not take jobs which residents were capable of undertaking. On training programmes, it was important to ensure that these were closely directed towards the obtaining of employment and could not be undertaken simply as a form of recreational activity at the taxpayer's expense. On other areas of expenditure, the Department should work with Sir Robin Ibbs on formulating targets for further improvements in efficiency.

I am copying this letter to Sir Robert Armstrong and Sir Robin Ibbs.

Yours sincerely,

Robin Butler

David Normington, Esq.,
Department of Employment



10 DOWNING STREET

~~Duty Clerk~~ ~~Al's,~~
charts now attached
SUE

These are some charts
to be distributed with His
letter which are coming

from Dept. of Employment.
They were expected today
(Mr. Normington). When

They arrive, pl. attach
a copy of His set for
all recipients of His letter
& His file, & dispatch.

PERB

DEPARTMENT OF EMPLOYMENT



Caxton House
Tothill Street
London SW1H 9NF
Telephone 01-213 - 6460
GTN Code 213

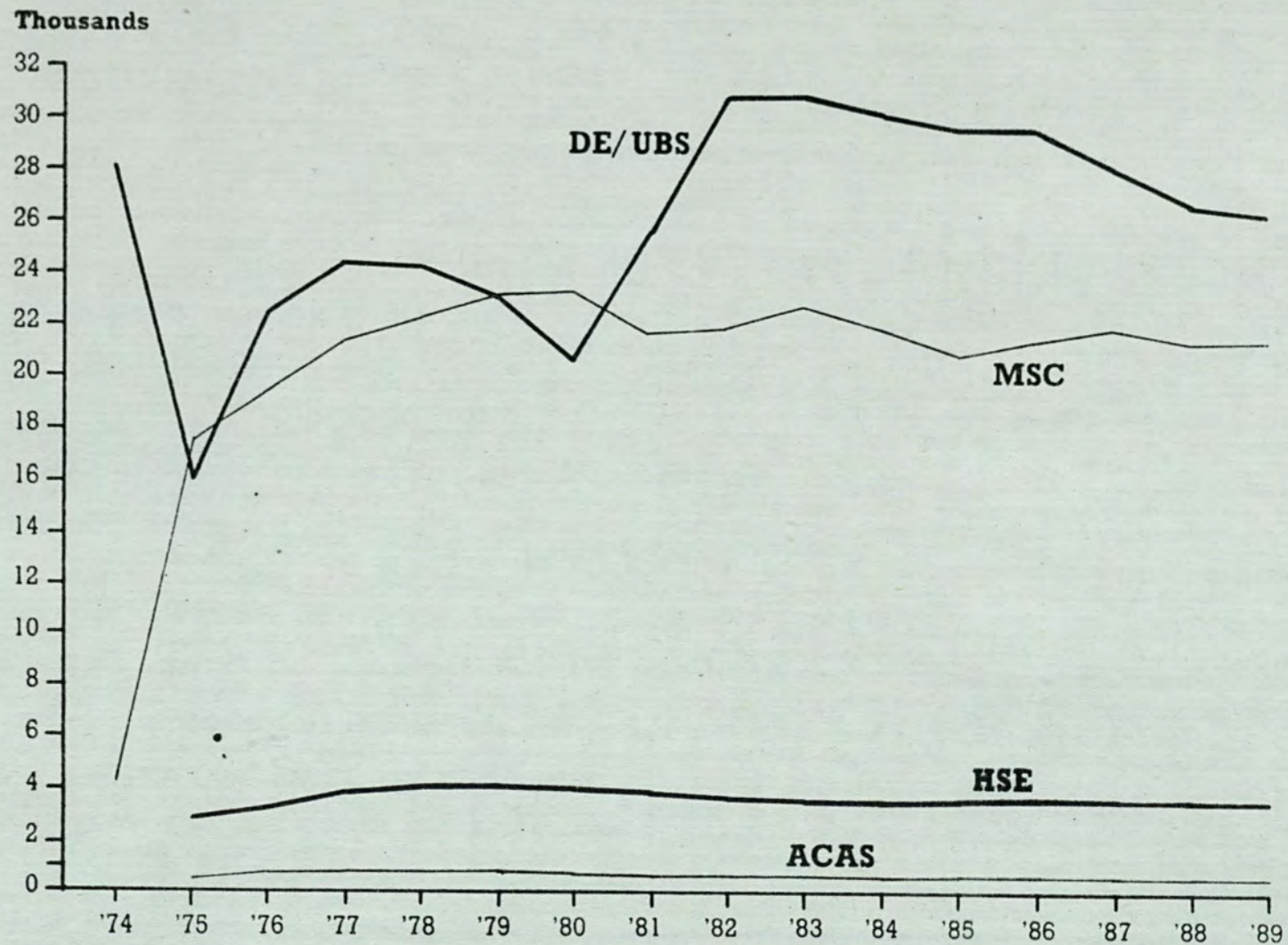
WITH THE COMPLIMENTS OF
THE PRIVATE SECRETARY

David Norcliffe

DE Group expenditure 1985/86

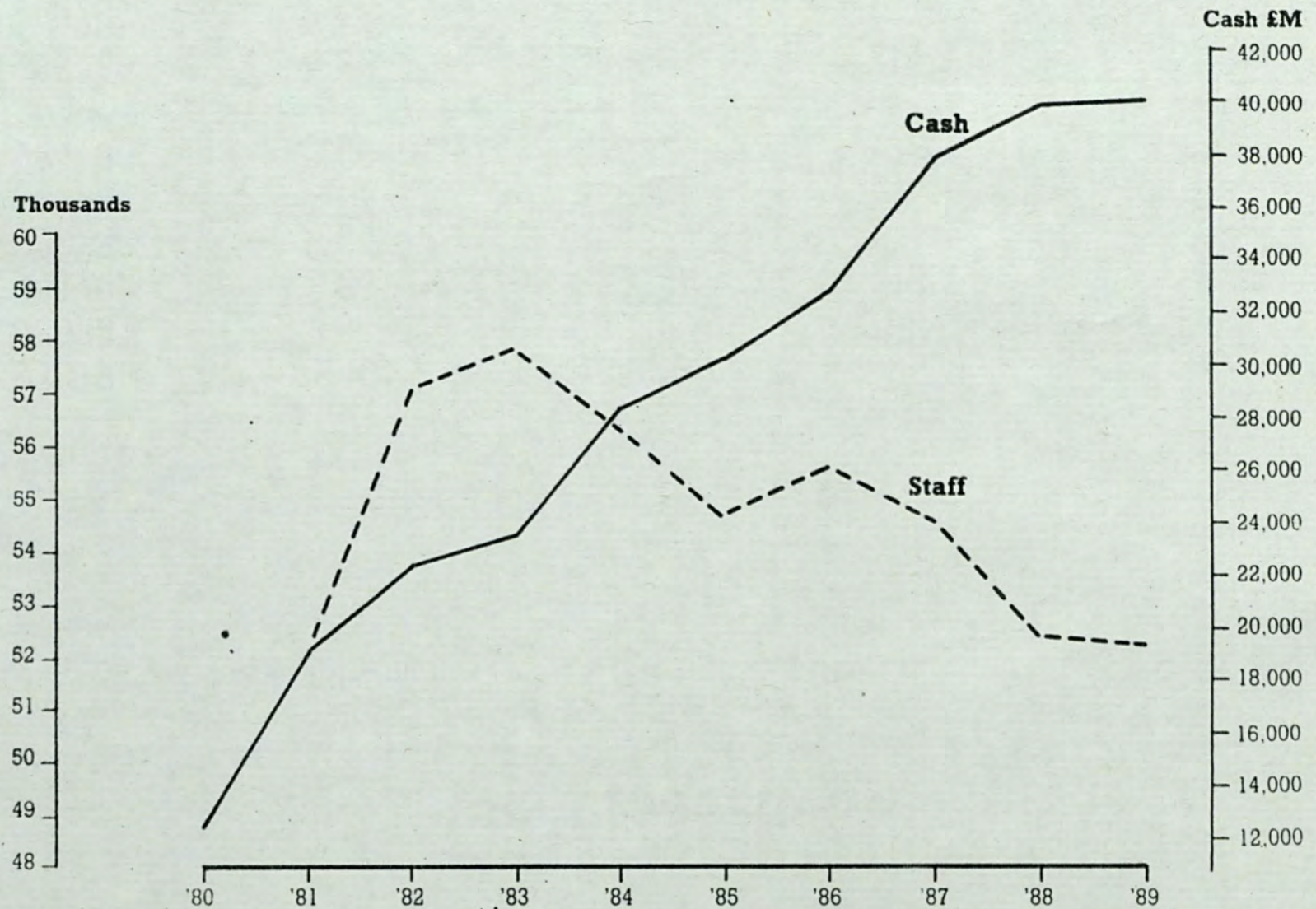
	£M
DE	
Unemployment Benefit Service	250
Employment Measures (JRS, YWS, JSS)	235
Redundancy, Insolvency, Maternity payments	380
Other	70
TOTAL —	£935m
MSC	
Youth Training Scheme	835
Adult Training	280
Employment Division	290
Employment Measures (CP, CI, Sheltered Employment)	840
Other	150
TOTAL —	£2,395m
HSC/E	TOTAL— £90m
ACAS	TOTAL — £15m
GRAND TOTAL £3,435m	

Permanent staff in the DE Group — 1.4.1974 to 1.4.1989



This table shows trends in staffing of the DE Group and projected staff requirements over the period 1 April 1974 to 1 April 1989. Projections are based on the 1985 PES submission.

DE Group expenditure and staffing — 1980 to 1989

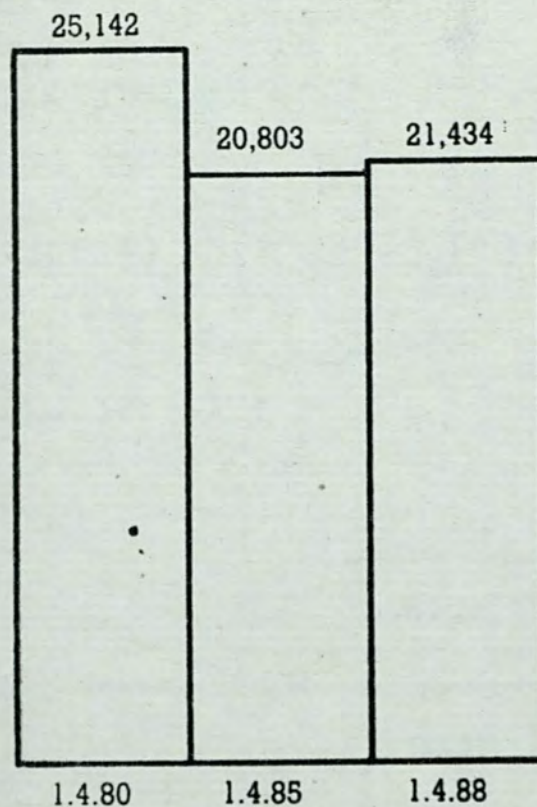


UBS Productivity

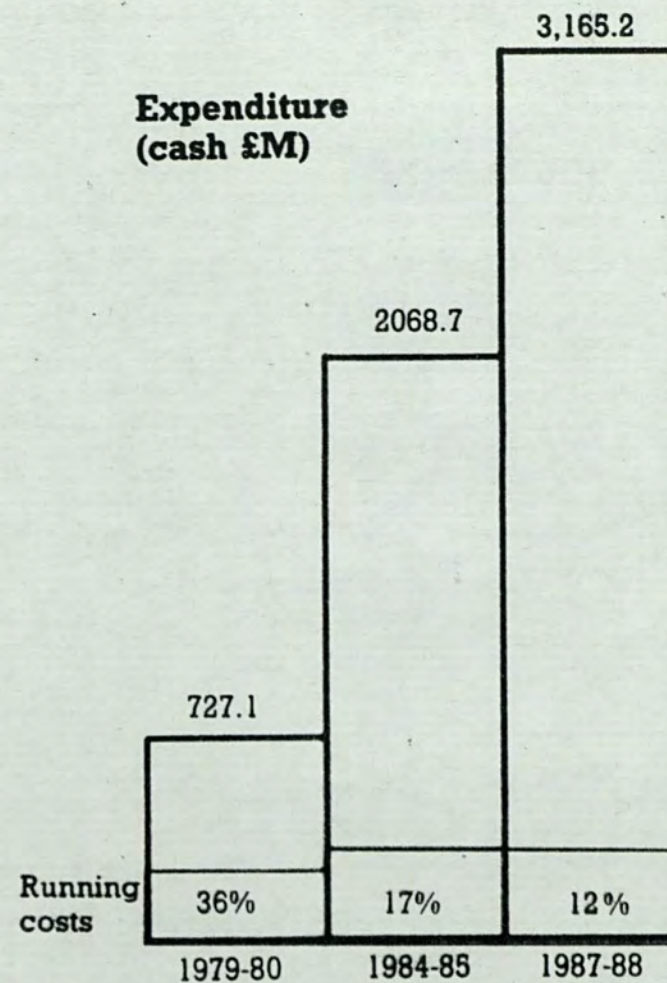
Year	Unemployment (Millions)	UBS staff	Claimants/per member of staff	Cash cost per payment (where applicable)
1975/76	1.31	16326	69:1	n/a
1979/80	1.40	16456	85:1	n/a
1980/81	2.01	18640	108:1	n/a
1981/82	2.83	25012	118:1	n/a
1982/83	2.94	26464	111:1	n/a
1983/84	3.04	26859	114:1	n/a
1984/85	3.20	25827	122:1	£3.20
1985/86	3.20	26099	119:1	£3.32
1986/87	3.06	25819	121:1	£3.43
1987/88	2.99	24439	126:1	£3.39
1988/89	2.90	23602	130:1	£3.38

MSC — Staffing, expenditure and running costs

Staffing



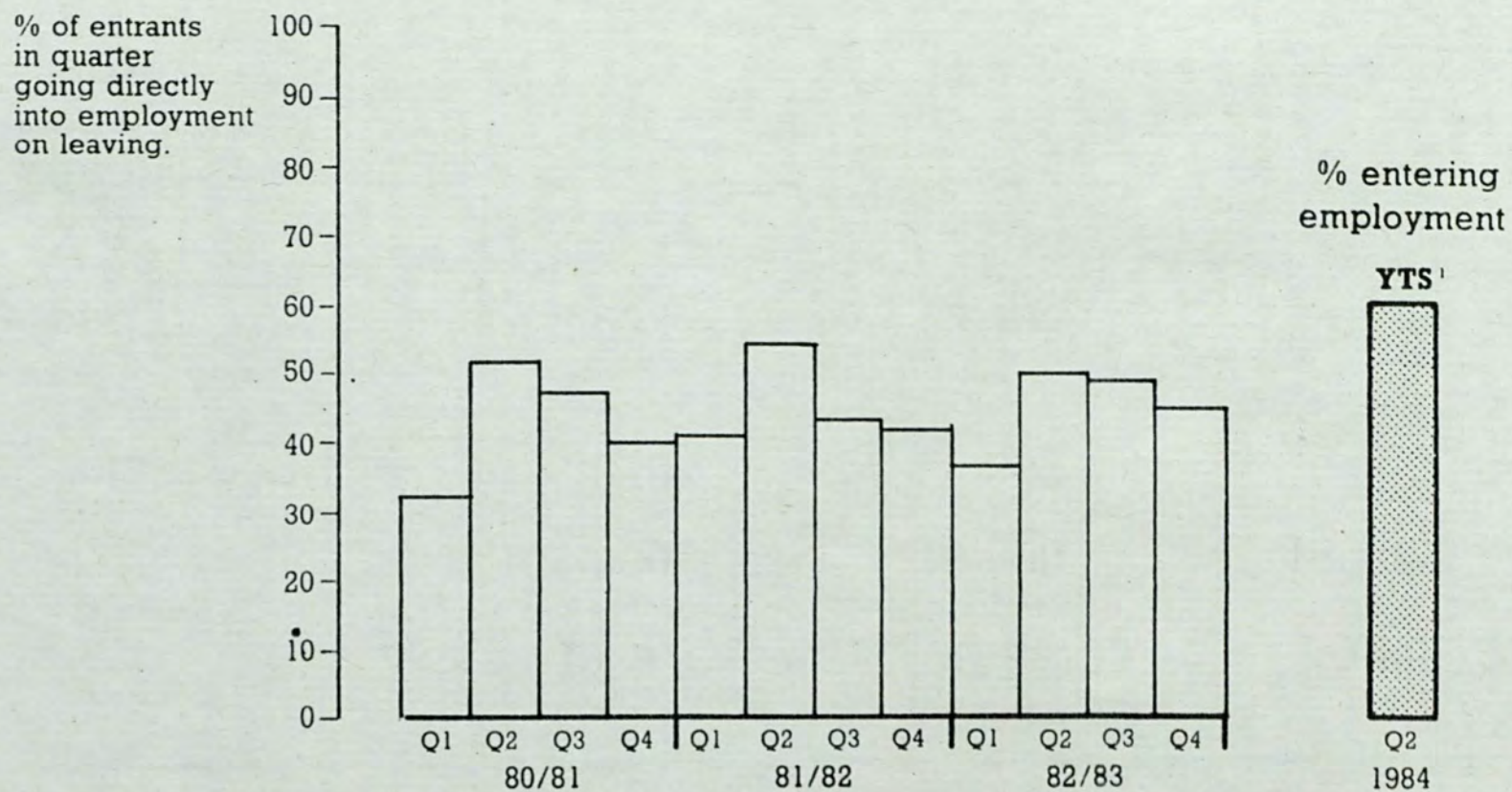
**Expenditure
(cash £M)**



Youth Training Scheme

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
Entrants	370,000	390,500	384,500
Total cost (£m)	783.0	838.0	833.1
Cost per entrant (£)	2,116	2,152	2,164
Net Exchequer cost per entrant	1,270	1,291	1,298
Entrants per member of staff	99.4	108.4	110.6
Admin cost per entrant (£)	150	136	135

Youth Opportunity Programme/Youth Training Scheme



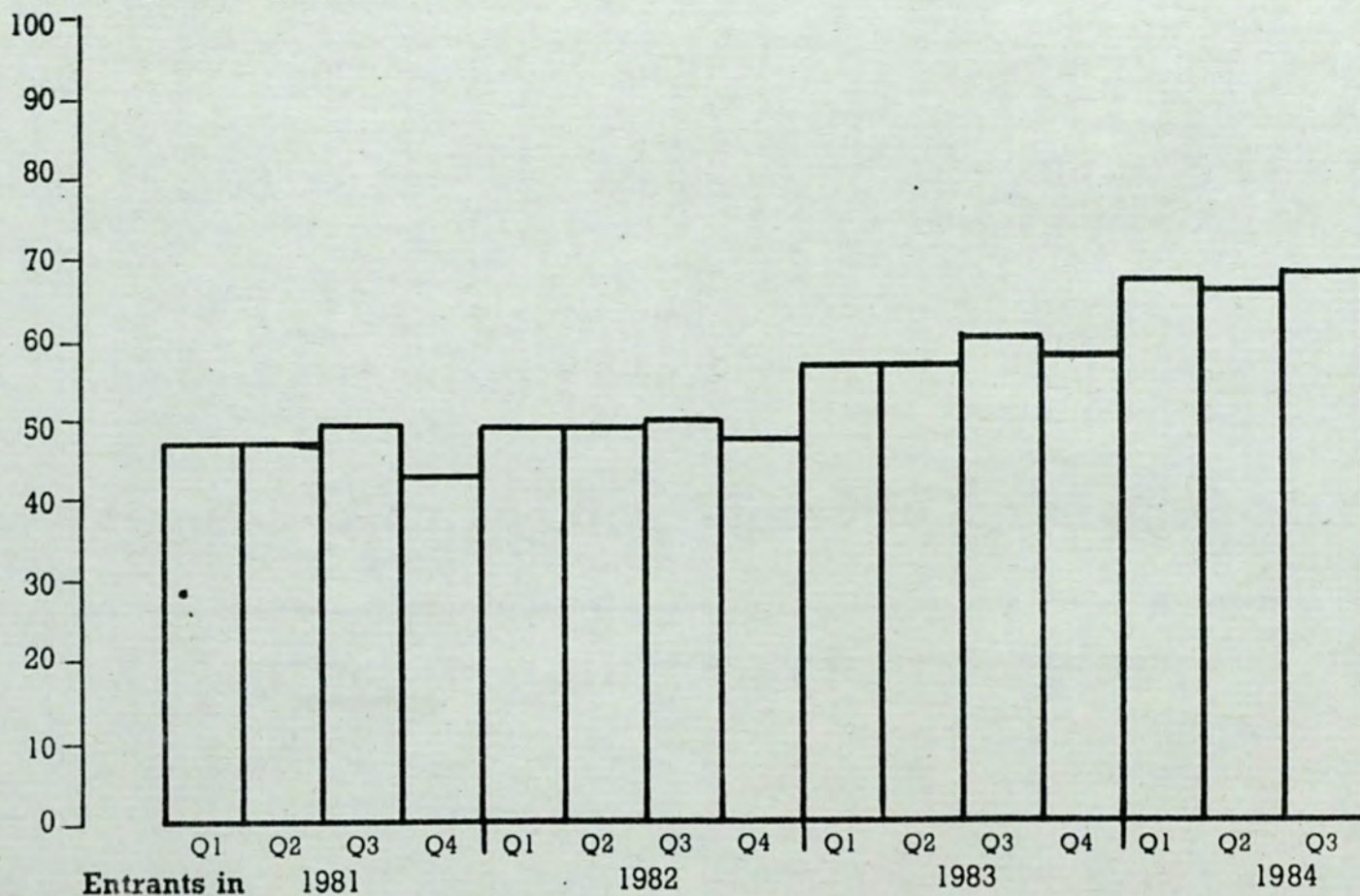
' Young people who left the YTS between July-September 1984 in employment February/March 1985

Adult Training Schemes

	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>
Starts	109,850	119,800	195,000
Total cost (£m)	276.2	262.7	269.9
Cost per entrant (£)	2,432	2,193	1,388
Net exchequer cost per entrant (£)	1,355	1,206	763
Entrants per member of staff	68.8	77.8	130.2
Admin cost per entrant (£)	216	189	115

Training Opportunities Programme 3 month follow-up results

Percentage in employment



MSC — Employment Division

General Employment Service (Jobcentre job broking services)

Year	Total staff	Staff and admin. cost (cash)	Placings achieved	Cost per placing (cash)
1979/90	9,000	£80m	1.9m	£42
1984/85	6,500	£84m	1.8m	£46
1988/89	5,600	£81m	1.8m	£45

NOTE: Figures do not include staff engaged on services like handling training applications and CP recruitment.

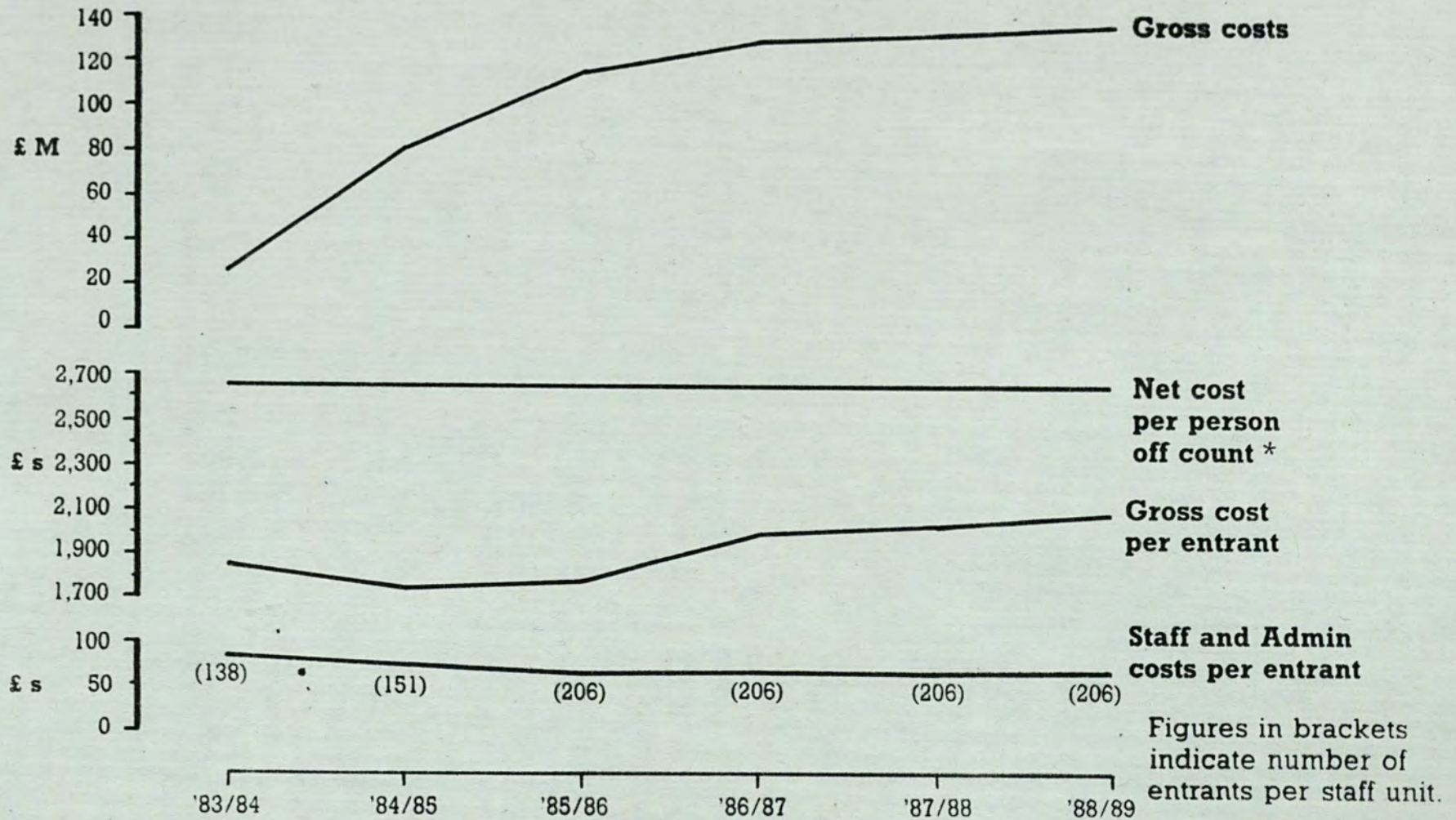
MSC — Employment Division

Key efficiency savings	Period savings	Staff savings	Annual savings*
1 Abolishing Occupational Guidance Service	1980/81	405	£ 3.8m
2 Introducing Voluntary Registration	1982/83-1983/84	1,250	£11.7m
3 Implementing ED Rayner recommendations	1982/83-1983/84	601	£ 9.4m
4 Development of the Employment Service plans	1984/85-1986/87	500	£ 4.7m
5 Introduction of the 'SUPERVACS' computer system	1985/86-1988/89	452	£ 4.5m ⁺
		Total	
		3,208	£34.1m
NOTE: Balance of savings achieved in the General Employment Service through other staff and GAE reductions		892	£12m

* Annual savings shown all at 1984/85 prices.

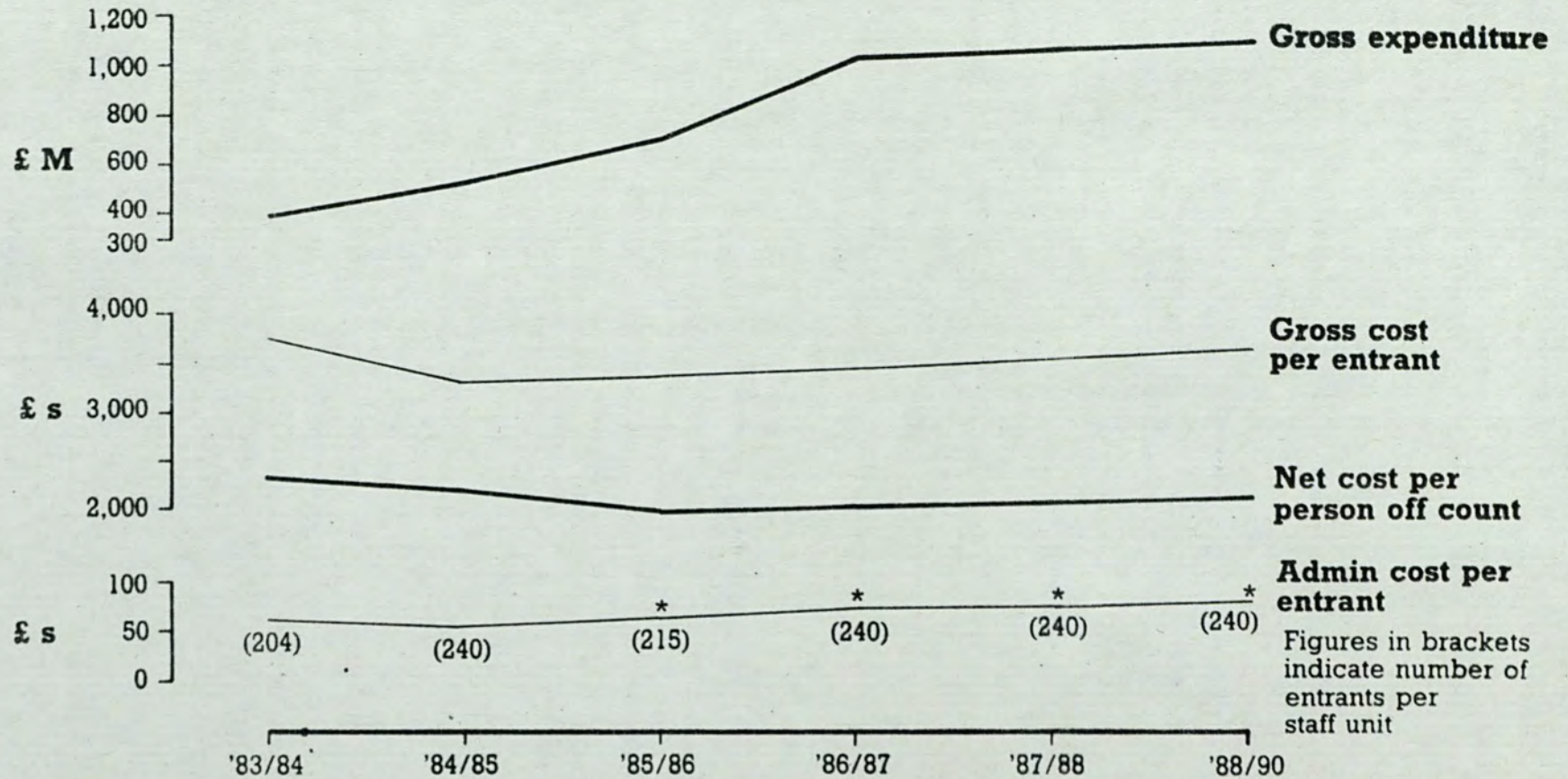
+ Net savings discounted over 10 year period.

Enterprise Allowance Scheme



* Accounts only for savings which occur during year the allowance is in payment. In the case of the Enterprise Allowance Scheme there will be a continuing gain to the Exchequer for many years after.

Community Programme



* Figures for administration costs are provisional; for 1985/86 and 1986/87 they include elements for other costs such as the experiments, and from 1986/87 they include work arising from changes in the eligibility rules for participants.

a NO



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

From the Minister

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

NBPM

6 June 1985

Dear Chief Secretary

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

Thank you for sending me a copy of your minute of 15 May to the Prime Minister on this subject.

I agree generally with your proposals. Within MAFF we are giving increasing attention to the assessment of achievement within our top management system (MINIM) and we shall take careful account of the proposals in the FMU report in the further development of our policy formulation and review systems. The feasibility of performance assessment varies in different policy areas and I am sure you would accept that effort expended should be commensurate both with the programme expenditure and the practical value of the data gathered. I therefore endorse your view in favour of a selective approach to the proposal for Cabinet papers.

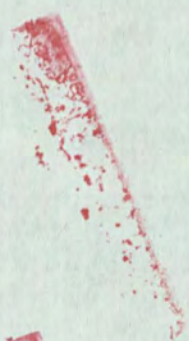
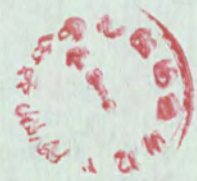
I am copying this letter to Ministers in charge of Departments, to Sir Robert Armstrong and to Sir Robin Ibbs.

Yours Sincerely
C. H. J. J. J.

for MICHAEL JOPLING
(Approved by the Minister
& signed in his absence)

04 11

GOVT MACH: Rayner: Pt 18



18 JUL 1965



10 DOWNING STREET

Mark

Deregulation meeting
on 1/7/85 @ 11.00

Mr Reinton (FCO) will
be attending

Margo

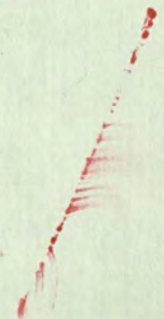
6/6

2 JUN 1965
11 11 11

THE UNITED STATES OF AMERICA
DEPARTMENT OF THE ARMY
HEADQUARTERS
WASHINGTON, D. C. 20315

11 11 11

6 JUN 1965





Treasury Chambers, Parliament Street, SW1P 3AG

Mark Addison Esq
Private Secretary
10 Downing Street
London
SW1

NBPM

4 June 1985

Dear Mark

POLICY WORK AND THE FMI

Thank you for your letter of 28 May in which you recorded the Prime Minister's endorsement of the Chief Secretary's proposals set out in his minute of 15 May.

The Treasury will now take the agreed follow up action, including the point in the second paragraph of your letter. The first step is to make the arranged Parliamentary Answer. Allowing time for documents to be produced, we intend to make the announcement on Monday 10 June.

I am sending copies of this letter to the Private Secretaries to Ministers in charge of departments, to Sir Robin Ibbs, and to Richard Hatfield.

Yours ever
Richard Broadbent

R J BROADBENT
Private Secretary

File with MEA

GOVT MACTH: Rayner

4 JUN 1985

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

1019100000



Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon Norman Tebbit MP
 Secretary of State
 Department of Trade and Industry
 1 - 19 Victoria Street
 London
 SW1E 6RB

4 June 1985

Dear Secretary of State

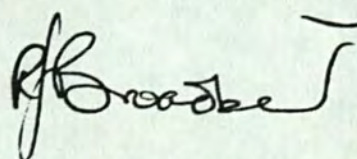
POLICY WORK AND THE FMI

Thank you for your letter of 31 May. As you will have seen from my Private Secretary's letter, I intended to go ahead with the announcement on 10 June following the endorsement of my proposals by the Prime Minister.

I agree that there are risks in making the document publicly available. I made the point myself in my minute of 15 May. However I do not think that they can be avoided by making editing changes in the report which would have the effect of watering down the main findings of the Unit. Indeed, my fear is that that would create exactly the wrong impression of our determination to continue improving financial management. The report is being made available on the basis that it represents the views of the officials and not Government policy.

If you feel that we need further collective discussion before going ahead, I will hold up the PQ and we can arrange a meeting. But now that we seem to have general agreement on publication, I should much prefer to go ahead as planned, and will propose to do so unless I hear by close on Thursday, 6 June.

I am sending copies to the Private Secretary of Ministers in charge of departments, to Sir Robin Ibbs and to Sir Robert Armstrong.

Yours sincerely

 for PETER REES

Approved by the Chief Secretary

- 5 JUN 1985



B. R.

PRIME MINISTER

VALUE FOR MONEY SEMINAR WITH DEPARTMENT OF EMPLOYMENT:
WEDNESDAY 5 JUNE at 1615 HOURS

Tomorrow's meeting is the latest in a series of similar seminars. You have had sessions so far with the Home Secretary, the Secretary of State for Trade and Industry and the Secretary of State for Scotland. The idea is for Ministers and their Permanent Secretaries to describe examples of how value for money in operations and programmes has been increased in the past year and what improvements they are planning.

The format is that Tom King will give a presentation for about 20 minutes (an overhead projector will be used) covering first what has been achieved and then what is going to be achieved. The rest of the hour will be taken up in discussion. The briefing from Sir Robin Ibbs is attached. One point to remember is perhaps that much of the Department's work is essentially demand led (eg unemployment benefit service, the Youth Training Scheme with its guarantee to unemployed minimum age school leavers). Unit costs are therefore a vital measure of performance, and you will wish to press the Department on the ways they intend to develop the most cost-effective form of provision in, eg the YTS.

Mark Addison

(MARK ADDISON)

4 June 1985



PRIME MINISTER

DEPARTMENT OF EMPLOYMENT GROUP - VALUE FOR MONEY SEMINAR ON 5 JUNE AT 4.00 PM

Background

Tom King will be accompanied by his Permanent Secretary, Sir Michael Quinlan and his Minister of State, Peter Morrison, who carries responsibility for the Manpower Services Commission.

2. A short background note on the Employment group is attached. It employs about 55,000 people in 4 agencies and spends £3,000 million a year. Current plans allow for expenditure to increase by at least a further 25% by 1987/88. The big spender is MSC (over £2,000 million a year) but Tom King is also responsible for the Health and Safety Commission the Unemployment Benefit Service, and the Conciliation Service (ACAS).

3. The main objective for the seminar will be to get Tom King to demonstrate that he has got a real grip on the Employment Group's activities and is putting his staff under pressure to improve value for money. He will have a good story to tell on improvements in internal productivity in the Unemployment Benefit Service and the Jobcentre network. This is all to the good and deserves praise. But they also need to be looking for ways to get better value from the more significant programme expenditure.

Key questions

4. The MSC has a steeply rising budget: £611m in 1979/80; £1814m in 1983/84; £3185m in 1987/88.

- What will this buy? How much does it cost for each person:
 - removed from the unemployment count;
 - placed in a reasonably long term job;
 - trained for the future.
- What targets are there for improving on these unit costs?
- Is it right to increase the spend on programmes which were designed for a smaller throughput? When do diminishing returns set in? Is there a need for new approaches?
- Can better value be obtained from the Community Programme by tailoring it more to the longer term needs of local communities, for example in places like Bradford?



5. The Health and Safety Commission spends £100m and its regulations can be heavy burdens on business, though many are necessary and wholly desirable.

- What plans are there for more firms to certify themselves as conforming to standards?
- What other proposals are there for reducing burdens?
- What targets are there for improving the use of Factory Inspectors' time?

6. In the Unemployment Benefit Service a major scrutiny was done 5 years ago leading to substantial savings; there has been a useful reduction in unit costs at a time of increased demand.

- Is there a need now to look again at the case for a single office for all payments to unemployed people - new technology must have increased the attractiveness of this.

7. Redundancy Fund - It is complex to administer and can be irritating to firms. What plans do DE have to improve the policy?

8. I am sending a copy of this to Sir Robert Armstrong.

ROBIN IBBS
3 June 1985



Department of Employment Group - Background Note

1. **The Department of Employment Group** comprises:
 - Department of Employment;
 - Manpower Services Commission;
 - Health and Safety Commission/Health and Safety Executive;
 - Advisory, Conciliation and Arbitration Service.

2. **The primary objectives of the group** are to:
 - make the labour market work better;
 - improve the job prospects of unemployed people;
 - safeguard the health and safety of workers;
 - administer the unemployment benefit service.

3. The work of the group has necessarily grown over the last few years because of the growth in unemployment and the need to reduce it. The group presently spends over £3bn a year and this is projected to increase by at least 25% by 1987/88. The bulk of this expenditure falls to the MSC for use on employment measures, such as the Community Programme, and the large training schemes. The group employs over 55,000 staff. This is expected to reduce to 52,000 by 1988.

4. **The key programmes** delivered by the group are as follows:
 - Labour Market Services:** £726m in 1985/86 primarily on the Community Programme which is concerned with providing temporary employment for long term unemployed. Expenditure in this area is projected to increase to about £1.2bn pa by 1986/87;
 - Employment Measures:** £242m in 1985/86 primarily for the Job Release Scheme. This is a declining programme with the number of recipients projected to fall from 72,000 to 45,000 during 1985/86;
 - MSC Employment and Rehabilitation services** (£305m in 1985/86). This is principally the Jobcentre based activities and involves about 10,500 staff.
 - MSC Training Services:** £1.2bn in 1985/86 principally for the Youth Training (£781m) and Adult Training Schemes (£262m). 9000 staff are involved including 3900 in the Skillcentre Training Agency which should be self-financing by 1986/87. The Youth Training Scheme is presently being extended to cover a second year and expenditure is projected to increase to £1.1bn by 1987/88;
 - Unemployment Benefit Service.** This costs £250m a year to run and employs 26,000 people. It is operated on an agency basis for DHSS who are responsible for benefit policy and the programme expenditure;
 - Health and safety at work** activities which cost nearly £100m a year and involve 3700 staff;
 - ACAS** industrial relations work involving just over 600 staff at a cost of nearly £14m pa.

3 June 1985

CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 3 June 1985

PRIME MINISTER

PUBLIC PURCHASING INITIATIVE (PPI)

I have seen a copy of Norman Tebbit's minute of 20 May.

2 Because of the Treasury's central responsibility for public purchasing policy, my officials were consulted when the minute was drafted, and I am broadly content with what is proposed.

3 I ought to put on record one comment about the restatement of the purpose of the Public Purchasing Initiative in paragraph 3 of Norman's minute. We have always to bear in mind that the objective of developing UK sources of supply is subject both to getting value for money to the purchaser in the long-term and to meeting our international commitments on public purchasing.

4 It would probably be useful for a Treasury Minister to join in the discussion envisaged between John Butcher and the Head of the Central Unit on Purchasing.

5 A copy of this letter goes to all Ministers in charge of Departments and to Sir Robert Armstrong.

PETER REES

CONFIDENTIAL

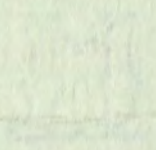
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GOVERNMENT





CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

CONFIDENTIAL

The Rt Hon Nicholas Ridley MP
Secretary of State
Department of Transport
2 Marsham Street
LONDON
SW1P 3EB

31 May 1985

DEREGULATION

As you know, I am currently chairing a Ministerial Group (MISC 114) on deregulation. The Group was set up at the Prime Minister's request, with a remit to examine the ways in which the burdens imposed on business by Government requirements can be reduced. The Group began to meet last month and is due to report to E(A) by the end of June in order that a White Paper on Deregulation might be published in early to mid-July.

You will no doubt be aware of the "Burdens on Business" Report, which the Department of Trade and Industry published in March. This was the result of a "Rayner"-type scrutiny of the administrative and legislative burdens imposed by Government on business. It ranged over the work of the seven Departments principally responsible for regulations affecting industry (Department of Trade and Industry, Department of Employment, Department of the Environment, Home Office, Customs and Excise, Inland Revenue and the Department of Health and Social Security). All these Departments are represented on the Group and most of our discussions will inevitably concern their areas of responsibility.

However, there may be areas within your Department's responsibility on which you may wish to make a contribution to the Group's work. In particular, there are two areas on which I am sure the Group would find it helpful to have your views. The first relates to two recommendations of the Department of the Environment scrutiny and concerns highway authorities. Recommendation 6 said that "new guidance should be given to highway authorities urging greater flexibility in the application of highway standards in planning applications"; and Recommendation 7 stated that

The Rt Hon Nicholas Ridley MP

31 May 1985

"the Government should consider removing highway authorities' special powers of direction over planning applications". I understand that DoE have already been in touch with your Department about following up these recommendations.

The second area in which I am sure the Group would welcome your views relates to the attached recent letter to Lynda Chalker which was copied to me by Teresa Gorman. The problem to which she refers does on the face of it seem a potentially severe burden for small garages which runs against the Government's deregulation initiative.

I would be most grateful to hear what contribution you might feel able to make to the work of the Group, and how you wish to proceed. Since we are working to a very tight timetable, it would be helpful to have your response by 14 June.

I am writing in similar terms to Michael Jopling and Peter Walker. Copies of this letter go to the Prime Minister, Sir Robert Armstrong and members of MISC 114.

*Ans.
Jan*

May 13, 1985

Mrs. Lynda Chalker,
Under Secretary of State for Transport,
Dept. of Transport,
2, Marsham Street,
London SW1P 3EB.

Proposed Changes in MOT Testing to be issued later in May

Dear Lynda,

Our organisation has received a number of worried letters and telephone calls from members who run small garages about the proposed changes in MOT testing.

Our members say that the proposals which include extending the premises and changing equipment will cost a great deal of money and in some cases will be impossible for them to fulfil for lack of space.

These proposals seem to me to be a perfect example - if that is the right expression - of the kind of administrative burdens about which the Prime Minister has expressed grave concern and which Lord Young and Norman Tebbit in the publication "Burdens on Business" assure us the Government wishes to stop.

I realise that existing garages have a 5 year period in which to implement the changes but to judge from the comments of our members, those in the trade press, and those of some of the larger chains of garages, there seems to be no real reason for making the alterations.

I would, therefore, welcome your assurance that you will personally intervene in the matter to squash this piece of bureaucratic meddling.

For many small garages, the survival of their livelihood is at stake. They believe it is D.O.T. policy to reduce their numbers.

I look forward to hearing your comments.

Yours sincerely,

(Mrs.) Teresa E. Gorman
Chairman

cc: Lord Young of Graffham
Enterprise Unit

cc: Mr. John Redwood
Policy Unit

cc: Mr. David Trippier



CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio
The Rt Hon Lord Young of Graffham

CONFIDENTIAL

The Rt Hon Peter Walker MP
Secretary of State
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

31 May 1985

DEREGULATION

As you know, I am currently chairing a Ministerial Group (MISC 114) on deregulation. The Group was set up at the Prime Minister's request, with a remit to examine the ways in which the burdens imposed on business by Government requirements can be reduced. The Group began to meet last month and is due to report to E(A) by the end of June in order that a White Paper on Deregulation might be published in early to mid-July.

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However, there are likely to be areas in which your Department has regulatory responsibilities, and in which you may wish to make a contribution to the Group's work. One particular area which emerged from the Department of the Environment scrutiny was that of energy conservation regulations as they apply to commercial buildings. The scrutiny said there was a "strong case for reducing or eliminating the regulations" and "there is no reason

CONFIDENTIAL

-2-

The Rt Hon Peter Walker MP

31 May 1985

in principle why the market cannot be left to make its own assessment of the extra costs of construction as against the benefits of potentially lower fuel bills". On the face of it this would appear to be a very persuasive argument, and I am sure the Group would find it helpful to hear your views on this issue.

I would be most grateful to hear what contribution you might feel able to make to the work of the Group, and how you wish to proceed. Since we are working to a very tight timetable, it would be helpful to have your response by 14 June.

I am writing in similar terms to Michael Jopling and Nicholas Ridley. Copies of this letter go to the Prime Minister, Sir Robert Armstrong and members of MISC 114.

*Per
Row*



FM

CABINET OFFICE

70 Whitehall London SW1A 2AS Telephone 01-233 3299

From the Minister without Portfolio

The Rt Hon Lord Young of Graffham

CONFIDENTIAL

The Rt Hon Michael Jopling MP
Minister for Agriculture, Fisheries
and Food
MAFF
Whitehall Place
LONDON
SW1A 2HH

31 May 1985

DEREGULATION

As you know, I am currently chairing a Ministerial Group (MISC 114) on deregulation. The Group was set up at the Prime Minister's request, with a remit to examine the ways in which the burdens imposed on business by Government requirements can be reduced. The Group began to meet last month and is due to report to E(A) by the end of June in order that a White Paper on Deregulation might be published in early to mid-July.

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However, your Department may be responsible for some areas of regulation which affect industry, and on which you may wish to make a contribution to the work of MISC 114.

I would be most grateful to hear what contribution you might feel able to make to the work of the Group, and how you wish to proceed. Since we are working to a very tight timetable, it would be helpful to have your response by 14 June.

The Rt Hon Michael Jopling MP

31 May 1985

I am writing in similar terms to Peter Walker and Nicholas Ridley.
Copies of this letter go to the Prime Minister, Sir Robert Armstrong
and members of MISC 114.

*Yours,
Michael*

CNS



JU561

Secretary of State for Trade and Industry

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

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

3 | May 1985

The Rt Hon Peter Rees QC MP
HM Treasury
Parliament Street
London SW1

NRPM

D Peter,

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

I have seen your minute of 15 May to the Prime Minister on publication of three Reports by the Financial Management Unit and agree that we should make them available to a limited audience of Members of Parliament, and others who take an interest in management matters. I also agree that we should make it clear that the Reports should not be read as a statement of Government policy.

As you say in your note, a certain amount of editing will be needed even if publication is to be on a fairly restricted basis. In addition to the points you have identified, I think the main findings (paragraph 1.3) of the Report on Policy Work and the FMI should be edited down to a simple statement that progress is being made and good practice has been established in the performance of programmes, but there is scope for further improvement. Experience, at least in this Department, does not lend support to the main finding in this Report that "in many areas policy aims or purposes, where stated, are not expressed with sufficient precision".

I look forward to the outcome of the discussions between the Joint Management Unit and the Cabinet Office on performance assessment being covered in Cabinet papers which have value for money implications.

Norman Tebbit

NORMAN TEBBIT

Copies of this letter go Private Secretaries to Ministers in charge of departments, to Sir Robin Ibbs and Richard Hatsfield (Cabinet office)

415

GOVT MACHINERY: Rayner: PE-18

3 JUN 1965





CCNO

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE, SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

NRPM

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

30 May 1985

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

Your minute of 15th May to the Prime Minister proposed amongst other things that all policy reviews and new policy initiatives should include consideration of subsequent policy assessment, and that this requirement should be embodied in the instructions to Departments on the preparation of policy proposals for Cabinet Committees.

I agree that as a matter of good management Departments should be as precise as they can about what programmes are intended to do, and that they should review them from time to time to make sure that they are still needed and that there is no cheaper way of doing them. I am sure it is right to implement this in a practical manner and not allow ourselves to be mesmerized by over-bureaucratic requirements.

I am copying this letter to the recipients of your minute.

PETER WALKER

GOVT. MACHINERY: Rayner; Pt 18

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30 MAY 1985



10 DOWNING STREET

cc Cabinet
+ Fin Sec
Econ Sec
M/S, HMT
Mr Rifkind
Mr Gow

From the Private Secretary

28 May 1985

Dear Richard

POLICY WORK IN THE FMI

The Prime Minister has seen the Chief Secretary's minute of 15 May. She has endorsed the proposals at paragraph 6 of his minute.

The Prime Minister feels it would be helpful if instructions to Departments were to indicate that all proposals with value for money implications, save in exceptional circumstances, should include a statement of what is to be achieved, how it is to be measured, by when, and at what cost.

I am copying this letter to Private Secretaries to Ministers in charge of Departments, to Sir Robin Ibbs and Richard Hatfield (Cabinet Office).

Yr

Mark Addison

MARK ADDISON

Richard Broadbent, Esq.,
Chief Secretary's Office,
HM Treasury.

da



DA
(62)

10 DOWNING STREET

From the Private Secretary

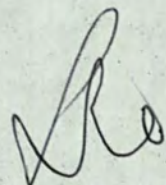
MR. BEESLEY

This is to confirm that the Prime Minister has indicated she would have no objections if Peter Morrison were to join Tom King at the Value for Money seminar on 5 June. The DE team will therefore consist of the Secretary of State, the Minister of State and Sir Michael Quinlan.

I am copying this to Mr. Hatfield (Cabinet Office).

(Mark Addison)

28 May 1985



CCAO



2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434

NBPM

My ref:

Your ref:

28 May 1985

Dear Peter,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for your letter of 8 May.

I was grateful for your agreement that officials should consider the proposals outlined in my letter, and consultation is now proceeding with all departments concerned in PRS. We must carry colleagues with us and I note that a variety of views have already been expressed. I shall of course take particular note of the Prime Minister's general endorsement and of the specific points she has raised. I agree entirely however that we should not lose the opportunity of making worthwhile changes to the system by waiting until more fundamental issues affecting the longer term future of the Agency have been resolved.

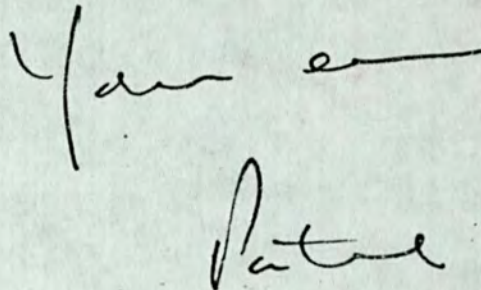
My officials came under considerable pressure from the Environment Committee at a recent appearance and it is clear that we shall be criticised in the Committee's report for dragging our feet on PRS. I would hope before too long to be able to counter this with a positive indication that changes have been agreed by colleagues and are in hand. We have a good story to tell on our various management initiatives and we must make it clear that we are maintaining the drive towards greater efficiency by tackling the problems of PRS.

Alan Bailey and Gordon Manzie are already arranging further discussion at Permanent Secretary level, and this can as Norman suggests also take account of the multi-departmental review of accommodation. In particular I shall want to see that careful consideration is given to the points which Grey Gowrie has raised in his letter to me of 3 May. We must however maintain good progress if we are to keep to the target of implementation on 1 April 1987. I suggest that we review what progress has been made shortly after the summer recess.

As to internal decorations I share your hope that we can get agreement to bring in new arrangements in 1986/87 and my officials will consider and discuss with yours the appropriate adjustments to be made in 1986/87 estimates. We should however see what can be learnt from the current experiments before we make any final decisions on what form any delegation might take.

On the funding of civil maintenance PSA has, as you say, prepared an assessment of minimum requirements over the next three years. They exceed the current provision by a wide margin. We shall be making every effort to step up the rate of disposal of surplus accommodation and I agree that we should take this into account in the PES discussions. Any increase in disposal receipts, however, is likely to be offset by shortfalls in other receipts which the baseline currently overstates. In the context of the programme as a whole I see no early prospect of increasing maintenance expenditure other than through the provision of additional funds.

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.

A handwritten signature in cursive script, appearing to read 'Patrick Jenkin', with a long horizontal flourish extending to the right.

PATRICK JENKIN

GOVT. MACHINERY: Royner; Pt 18

29 JULY 1985

12345
6789



DEPARTMENT OF ENERGY
Thames House South
Millbank
London SW1P 4QJ

Tel: Direct Line: 01-211
Switchboard: 01-211 3000

With the Compliments of

the

Secretary of State

CONFIDENTIAL



cc 10
NBAM
AT
24/5

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

01 211 6402

Sir Robin Ibbs
Efficiency Office
Cabinet Office

24 May 1985

CAPITAL EXPENDITURE CONTRACTS

Following the minute of 23 April from the Prime Minister's office asking you to prepare a report on cost overruns and delays on public sector construction and engineering contracts, your staff have been in touch with my officials about a number of projects carried out by nationalised industries which I sponsor and one carried out by BNFL. From the standardised questionnaire sent out by your people, it is not altogether clear whether the underlying assumption is that project management responsibility in these cases rests with my Department. In fact my Department monitors the overall investment programmes of the industries, and takes a particular interest in major projects, in line with its responsibilities under Cmnd 7131, but does not attempt to second guess industry management.

I am sure your staff are also aware of extensive recent work on nationalised industry monitoring carried out by the Controller and Auditor General on behalf of the Public Accounts Committee, as well as MMC studies of a number of major industries, including the NCB and the CEGB. I very much hope that duplication of earlier work can be avoided.

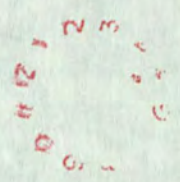
I am copying this to Departments which received the Prime Minister's Private Secretary's minute of 23 April.

PETER WALKER

CONFIDENTIAL

Govt Moch : Kaynes 17 18.

24 MAY 1985



PRIME MINISTER

POLICY WORK IN THE FMI

The Chief Secretary is proposing (Flag A) that the three final reports of the Financial Management Unit should be made publicly available.

Two are factual ("Resource Allocation in Departments - Role of the Principal Finance Officers" and "Top Management systems, second report"). The third raises wider issues. It suggests a more rigorous approach to the way Ministers and Departments approach their task; in particular, that Cabinet papers putting forward policy proposals should include a statement of how performance should be assessed. The Chief Secretary thinks this would be a useful discipline and proposes the Joint Management Unit should pursue it with the Cabinet Office. Lord Gowrie and Sir Robert Armstrong are content.

Sir Robin Ibbs agrees (Flag B) with the Chief Secretary's recommendation, but believes more specific guidance is needed to ensure that policy proposals entailing expenditure contain a clear statement of how value for money can be assessed. This should involve defining what is to be done and how it is to be measured, by when, and for what cost. Sir Robin thinks exceptions to this rule should be rare.

Content with the Chief Secretary's proposals as set out in paragraph 6 of his minute?

Agree also that it would be helpful if instructions to Departments were to indicate that all proposals with value for money implications, save in exceptional cases, should include a statement of what is to be achieved, how it is to be measured, by when, and the cost?

Mark Addison

MARK ADDISON

23 May 1985

VC2AGQ

Yes

SENO



DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

Secretary of State for Trade and Industry

23 May 1985

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

MBPM

D Peter

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for sending me a copy of your letter of 8 May to Patrick Jenkin.

2 I am sorry that you do not favour my proposal for an enlarged inter-Departmental committee to look at all the options for the future of PRS. I remain dissatisfied with the way in which proposals on accommodation matters are developed in a narrow group and then presented to client Departments as a fait accompli. I also endorse Grey Gowrie's view that the present set of proposals should not be considered in isolation and I do not see why the separate review of the future of the PSA should prevent us looking at them alongside the recommendations coming from the multi-Departmental study. I would therefore like to press you and Patrick again to agree to the wider consultation which I proposed in my earlier letter. I would be quite content for Patrick's proposals to be taken as the starting point and for officials to be charged with developing proposals which could be put to us for implementation on 1 April 1987.

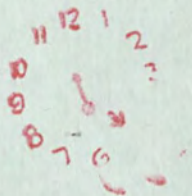
3 I am copying this letter to the Prime Minister, members of the Cabinet and other Ministers in charge of Departments and to Sir Robert Armstrong and Sir Robin Ibbs.

NORMAN TEBBIT

JH2APS

Cdr. Madh: Rayner PTLF.

24 MAY 1985





10 DOWNING STREET

From the Private Secretary

20 May 1985

PROPERTY REPAYMENT SERVICES

The Prime Minister has seen your Secretary of State's letter of 11 April to the Chief Secretary, and the subsequent Ministerial correspondence.

She has endorsed the proposals in your Secretary of State's letter, and sees advantages in Departments taking responsibility for their own refurbishment and redecoration when they see good reasons for doing so.

The Prime Minister has commented, however, that a limit of £5,000 per item is too low; she believes the limit should be £25,000, indexed each year.

I am copying this letter to the Private Secretaries to members of the Cabinet and other Ministers in charge of Departments, and to Richard Hatfield (Cabinet Office) and Ian Beesley (Efficiency Unit).

Mark Addison

John Ballard, Esq.,
Department of the Environment.

5



Chancellor of the Duchy of Lancaster

Analysis RFA.
PL of 23/5

PRIME MINISTER

POLICY WORK AND THE FMI

I have seen a copy of the Chief Secretary's minute to you of 15 May on this subject.

The proposals in the report on Policy Work and the FMI, if pursued in the way suggested by the Chief Secretary, should significantly improve the analysis and management of policy work. I therefore support his proposals for the handling of the report and, in particular, the suggestion that the Joint Management Unit should pursue with the Cabinet Office the inclusion of a note on performance assessment in policy proposals with value for money implications going to Cabinet Committees.

I also agree that the three reports (on Policy Work, on the role of the Principal Finance Officer, and on Top Management Systems) should be made publicly available.

G.

GOWRIE
20 May 1985

Gort Mach. Rayner Pt 18

21 MAY 1965

12 23 45
11 10 00

W. S. Walker

DEmp alerted.

PRIME MINISTER

You are holding the next of your "Value for Money" seminars with the Department of Employment on 5 June.

~~_____~~
The Secretary of State has asked if Peter Morrison, his Minister of State with responsibility for FMI matters within the Department, can join him and Sir Michael Quinlan at the meeting. The Efficiency Unit have no objections. Content?

Yes not

Mark Addeore

RTA
→IB

20 May 1985

020

SMO

DIP will ~~be~~ responses from the
and Departments AT

20/5



JU478

Prime Minister
Agree Mr Tebbit's proposals in para 4?
Treasury content.

PRIME MINISTER

Yes
AT 4/6

PUBLIC PURCHASING INITIATIVE (PPI)

My Department has been reviewing progress on the PPI which we launched five years ago. The aim has been to make better use of public purchasing power to strengthen UK suppliers' competitiveness. We sought a decisive shift in policy to achieve this.

2 It now seems clear that, while good progress has been made in some areas, implementation of the PPI in Central Government has overall been inadequate. This is the finding of the MPO report on 'Government Purchasing' following a multi-department review. The same conclusion emerges from a recent survey of suppliers which my Department commissioned.

3 One reason is that purchasing has not, in general, been given sufficient status and attention. These weaknesses are now being tackled following the MPO report. Another reason may be a lack of clarity about the attitude to be adopted to British suppliers.

It is therefore worth restating our intention: wherever practicable, the public sector should use its purchasing power in such a way as to maintain or, where necessary, develop British sources of supply which are competitive internationally. This does not imply feather-bedding: successful examples in the private sector show that this policy is entirely compatible with a commercial approach.

Attorney is advising on how this can be expressed consistently with international obligations



CONFIDENTIAL

4 In view of the clear need to improve performance, I have asked John Butcher to take this forward and to see that renewed impetus is given to the PPI's practical application. Since taking over responsibility for the PPI, John has been anxious to re-launch the initiative. This must be done in the context of the follow-up to the MPO report, into which Departments are putting a lot of effort. John will therefore be having an early discussion with the Head of the Central Unit on Purchasing, once appointed, about the re-launch and will then be in touch with colleagues in other Departments. But I should like to make the following proposals now:

See
below

a Ministers in charge of Departments to review and, where necessary, renew the arrangement whereby a Minister and a senior official were given specific responsibility for the application of the PPI within their area. Where Departments are appointing directors of procurement in line with the MPO's recommendation, these officers should also have the PPI responsibility.

b Departments to review their own progress in applying the PPI and ensure that action needed to reinforce that progress is taken alongside the implementation of the MPO report. The key questions to ask are: "How well have UK suppliers been meeting our requirements, what have we been doing to improve things, and how successful have we been?"

Negotiations are nearing conclusion with Mr Michael Willey of Shell for a 3 year agreement. MPO hope to make an announcement on 7 June, with jobs to start in early September.



CONFIDENTIAL

c Suitable monitoring arrangements to be put in place to ensure that the PPI is followed on a continuing basis and progress assessed. Again these arrangements should be integrated into the monitoring systems called for by the MPO report.

5 One important aim of the PPI is to encourage innovation. To a large extent this should happen on a commercial basis provided Departments take an enlightened view. But my Department has funds, albeit at a reduced level following the recent review of Support for Innovation, to help fund demonstration projects in the public sector which incorporate a significant degree of innovation and which would not go ahead without our support. Departments will wish to bear this possibility in mind. My Department will also use its contacts with industry to promote better knowledge and understanding of the PPI as a whole and to urge suppliers to respond positively to it and not take their public sector customers for granted.

6 If you or colleagues see a need to discuss this subject - there has been no collective Ministerial discussion of it in the past two years - I would be happy to put a paper to E(A). But, in the absence of a request to that effect, I would welcome written responses to what I have proposed.



CONFIDENTIAL

7 I am copying this minute to all Ministers in charge of
Departments and to Sir Robert Armstrong.

NT

NT

20 May 1985

Department of Trade and Industry



CONFIDENTIAL

CONFIDENTIAL

CONFIDENTIAL

20 MAY 1965

10 11 12 1
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CONFIDENTIAL

Prime Minister. ①

The correspondence is attached.
Agree to endorse Environment Secretary's proposals?

17 May 1985

Secretary's proposals?

MKA 17/5

PRIME MINISTER

Up to 25,000 - reduced
each year. 15,000 in next 2 years

PROPERTY REPAYMENT SERVICES

* if you wish to consult any of it.

low. mt - Proj A

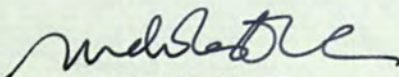
Patrick Jenkin has proposed that Departments should be given authority to commission new work on partitioning, fitting, refurbishment, up to £5,000 per item, and on redecoration, when the PSA has not the resources to do it. Departments' rents would be adjusted accordingly.

Proj B

Is this ambitious enough? Grey Gowrie has asked why Departments should not be given this delegation for all refurbishments. This work requires no special, PSA expertise. If Departments reckon they could save money, or time, by managing themselves, why not?

We will be reconsidering the future of the PSA. The more experience Departments can acquire in managing their own refurbishments by then, the better position we will be in to judge PSA's future role.

We recommend that you endorse Patrick Jenkin's proposals and add that you see advantages in Departments taking responsibility for their own refurbishment and redecoration when they see advantages in so doing.


NICHOLAS OWEN

CONFIDENTIAL

MARK

I have spoken to Kate Jenkins in Sir Robin Ibbs' office. The reports have not been printed yet, as they wanted to get the PM's approval first.

However, they are being sent to print today, and she will send 70 copies of it over on Monday (20 May). Is this alright, for despatch on Monday.

Sally
17.5.85

Pl. away to b.f.
in April 1986.

cc cw

cc-Cabinet
+ c/w H/L
c/w H/C
Ld Adv.
L.O.D.



10 DOWNING STREET

SH2AHG 881

NB

2 enclosures

17 May 1985

(coming over from Cab. Off.)
Robin Ibbs

From the Private Secretary

In David Barclay's minute of 29 November Sir Robin Ibbs was asked to supervise a study of the implementation of efficiency scrutinies. The Prime Minister has now received his report.

She is impressed by the evidence that implementation of often lacks the same sense of urgency as the scrutiny itself. She is concerned at the cost to the taxpayer of the delay in achieving savings and other improvements. She endorses the main recommendations, which are:

- (i) to make the Permanent Secretary accountable for achieving swift results from each scrutiny without diminishing the involvement of Ministers.
- (ii) to start out with the intention to achieve substantial improvements within two years of the start of each scrutiny.
- (iii) to ensure continuity between the scrutiny and its implementation.

I enclose two copies of the report (one for your Minister, one for your Permanent Secretary). The Prime Minister hopes that your Minister will ensure that these changes are brought about in his department - not only for the new scrutinies starting this year but also for those from previous years where results have not yet been achieved.

She has asked Sir Robin Ibbs to report to her regularly on the progress being made towards ensuring that scrutinies are implemented as speedily as possible.

MARK ADDISON

Private Secretaries to Ministers in Charge of Departments

LRB



10 DOWNING STREET

From the Private Secretary

17 May 1985

The Prime Minister has seen your minute of 14 May, and agreed that I should write out to Departments in the way you suggest.

The Prime Minister also asked if you would arrange for her to be updated regularly, she suggests annually, on the progress being made over the scrutiny programme as a whole towards speedier implementation. I have added this point to my letter to Private Secretaries (copy attached).

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

MARK ADDISON

Sir Robin Ibbs

file
a Co
SS
AP
6



Ministry of the Environment
6/2/5

B

PRIME MINISTER

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

I have seen Peter Rees's minute of 15 May on this subject and I support his recommendations, indeed I should like to see them slightly strengthened. I have to say that I have been concerned recently, as I have gone round to talk to Ministers and Permanent Secretaries about value for money targets, that the will to fix and stick to tight budgets is weak in departments. In my view the suggestion that all proposals in Cabinet papers and all policy reviews should include statements about how performance will be assessed offers a constructive way to reinforce your message that every pound of public expenditure should be made to count.

In his paper Peter Rees refers to, "all policy proposals going to Cabinet Committees which have value for money implications should include a note about performance assessment." I believe you should be more specific and ask that all proposals that entail expenditure should contain a clear statement of how value for that expenditure will be assessed. There should be three elements in this:

- 1 definition of what is to be achieved and how it will be measured;
- 2 the time by which achievement is expected;
- 3 the cost.

A requirement that leads only to new sets of woolly words will be no use.

What I am suggesting is no more than is expected in any well-run company and is not confined to trading aspects of operations. There is no point in spending money unless you know what you hope to get for it and can check later.

Rigorous appraisal of this sort may not be popular with your colleagues. But it is essential that having defined the expected output, time and cost all Ministers should stick to proper assessment and that there should be some real sanction if the results are not delivered. The accounting officer and the expenditure divisions of the Treasury should see that the reviews actually happen and that necessary action follows.



The exceptions "when something different is being suggested" (mentioned in paragraph 5 of Peter Rees's minute) should be very rare. If there is to be a significant effect on public expenditure the presumption must be that, almost without exception, policies have to justify their existence regularly and rigorously on value for money grounds. Of course I accept that some policies will be adopted for essentially political reasons. But that does not mean they should be exempted from delivering the best value for money within the confines of what is politically realistic.

In view of the sensitivity of this advice, I am copying it only to the Chancellor of the Exchequer, the Chief Secretary and to Sir Robert Armstrong.

Robin Hood

pp ROBIN IBBS
17 May 1985

*(approved by Sir Robin Ibbotson and
signed in his absence.)*

Mark



What does
Mr. Beesley think?
and His Secretary
of State?

10 DOWNING STREET

FERB

Robin Butler

DoE
to c.b.

17.5

D Emp is giving a VFM
seminar on 5 June. Tom King
and Jim Michael G. are
down to see. Peter Morrison
may be asked if he could attend
as well. He has the general
FML responsibility in DE. I think
it would be helpful if he came,
though I know the idea is to
keep nos right down. Any
views?

MEFA 1615

PRIME MINISTEREFFICIENCY SCRUTINIES

You asked the Efficiency Unit last November for a report on the implementation of efficiency scrutinies. That report is now attached, under a covering minute ~~from Sir Robin Ibbs.~~ (Flag A)

The report is a useful stock-take of the scrutiny programme. It shows that major savings and other improvements have been made as a result of the programme (£750 million cumulatively to date). It also shows that once a scrutiny report is submitted there is a tendency for the "umph" to get lost. If the resulting delays had been cut, the extra cumulative savings could have amounted to £300 million.

Sir Robin Ibbs endorses the report's recommendations that more attention now needs to be focussed on speeding up implementation. Sir Robert Armstrong agrees the three key recommendations that Sir Robin Ibbs draws out.

Content with these recommendations, and with the draft Private Secretary letter Sir Robin Ibbs has provided at Flag B? If so, you may also like to consider asking Sir Robin to up-date you regularly, perhaps annually, on the scrutiny programme as a whole. This would give you the opportunity to take stock of the extent to which this scrutiny report has been successfully implemented.

(13)

Man Adhwa

ms.

16 May, 1985

ENDO



CABINET OFFICE

*From the Chancellor of the
Duchy of Lancaster*
Lord Gowrie

MANAGEMENT AND PERSONNEL OFFICE
Great George Street
London SW1P 3AL
Telephone 01-233 8610

The Rt Hon Nicholas Ridley MP AMICE
Secretary of State for Transport
2 Marsham Street
LONDON SW1P 3EB

16 May 1985

NDPM

Lee Nick,

GOVERNMENT PURCHASING: DEPARTMENT OF TRANSPORT ACTION DOCUMENTS

Thank you for your letter of 2 April together with your department's action documents on the Endacott report and on Government Purchasing. I am grateful also for your letter of 4 April about the use of consultants to develop indicators of performance for the Department's roads activities. In addition my officials have seen a copy of Mr Overton's interim report on DTp's non-roads purchasing. I am writing this letter with the agreement of Peter Rees who will share Ministerial responsibility with me for the new Central Unit on Purchasing.

The Endacott Report

I am pleased to note that a good deal has already been achieved in the 11 months between Mr Endacott submitting his report and the department producing an action document. However, a number of key recommendations are still the subject of consideration and pilot studies, in particular those relating to the role of the Department's headquarters divisions and to the delegation of responsibilities to regional officers. Mr Endacott estimated that savings of some 65 posts and up to £900,000 per annum (at 1984/85 prices) could result from the implementation of these recommendations. While I fully appreciate the need to maintain appropriate management controls in these areas, the principle of maximum delegation from, and minimum interference by, the centre is an important one. I hope that early progress can be made on realising the potential savings identified by Mr Endacott.

I found the covering note to the action document very interesting and helpful. Clearly the department has made significant steps in improving value for money as measured, albeit crudely, by the cost per mile of roads, the cost per mile of renewal work, the expected length of time between renewals, and reduced delays at repair sites. Paragraph 10 of the note sets out a wide range of further targetted savings all of which are undoubtedly welcome. However it is not readily apparent from this quite what targets you have set for improving value for money over the next two years as Mr Endacott recommended. It would be most helpful if this could be expressed as a percentage of the corresponding figures in 1984/85. For example, your clear target to reduce increases in final costs over tender prices by 5% over the next 2-3 years could be viewed as a target to improve the overall value for money obtained from the roads programme by over 1% (using the figures in Annex 15 of Mr Endacott's report). It would be useful to know the extent to which the achievements of the Department against the individual targets would contribute to a target for the roads programme as a whole.

In your letter of 4 April you comment on my suggestion that consultants might be able to help the department develop targets for the roads programme. In the light of the targets described in your action document, I agree with your conclusion that the Department may well be able to make progress in refining targets without additional consultancy support. I hope, however, that your officials will keep the Central Unit on Purchasing, when established, closely in touch with developments on this front so that if progress shows signs of slipping we can reconsider the situation.

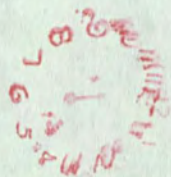
Non-roads purchasing

I note your proposal to complete the scrutiny review of the Department's non-roads purchasing by the end of July. I welcome your commitment to the setting of clear responsibilities, deadlines and value for money targets. Even though the work on this area of the Department's purchasing has been delayed, I trust that you will set your value for money targets with a view both to the April 1987 review date and the 5% guideline level agreed by Ministers last November. I look forward to seeing the outcome of the scrutiny on non-roads purchasing in July and to seeing a copy of the Department's full action documents soon thereafter. I understand the examining officer has promised to keep in close contact with my officials during his scrutiny.

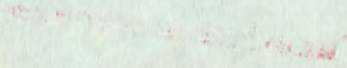
I am copying this letter to the Prime Minister, Leon Brittan, Michael Heseltine, Patrick Jenkin, Peter Rees, Janet Young, Norman Lamont, Timothy Raison, Tony Newton, Sir Robert Armstrong and Sir Robin Ibbs.

Janet Young

Count Mach: Rayner A 17.



MAY 1965





FROM: CHIEF SECRETARY
DATE: 15 May 1985

(A)

CF
Awaiting RIA comment.
If, it no response, on 21/5

PRIME MINISTER

POLICY WORK AND THE FINANCIAL MANAGEMENT INITIATIVE

Before the Financial Management Unit was disbanded at the end of 1984, it prepared 3 final reports on management topics:

- a. Policy Work and the FMI
- b. Resource Allocation in Departments - Role of the Principal Finance Officer
- c. Top Management systems, second report.

Copies have already been sent to all departments whose plans were set out in the FMI White Papers.

2 The reports at (b) and (c) are factual. I see no problem in releasing them, subject to a few excisions, on which departments are being consulted separately.

..... 3 The first report at (a) raises wider issues. I enclose a summary. It suggests a more rigorous approach to the way in which Ministers and Departments approach their task. If carried through, it should improve the analysis of policy and the discussions in the public expenditure survey, and also affect the quality of debate of these matters in Parliament etc. The suggestion that all proposals in Cabinet papers should include a short statement on the way in which performance will be assessed is a particularly interesting one.

4 I hope that we can agree that all reviews of policy and new policy initiatives should include a statement of the way in which performance is subsequently to be evaluated. Of course many reports already say something about this, but we should ensure this more systematically and then make sure that performance is actually tested against the agreed criteria.

5 As far as the proposal for Cabinet papers is concerned, a more selective approach is likely to be more effective. I should like to see a requirement that all policy proposals going to Cabinet Committees which have value for money implications should include a note about performance assessment. This might consist either of actual proposals or of an explanation why, with the agreement of the Treasury, something different is being suggested. If you agree, I should like to ask the Joint Management Unit to pursue this suggestion with the Cabinet Office. Accepting the recommendations will of course tend to put in sharper focus those instances where our policies have not fully met their objectives as well as those where they have done as well or better. But I think we should accept this risk, which will help to demonstrate our seriousness in making government more efficient.

6 Meanwhile it would be worth making the report publicly available, with a few editing changes. I would anyway propose to take out the references to Cabinet papers and to any other internal Government documents which we would not wish to make public. Full scale publication would be inappropriate, but I should like to make the report available to those who are most likely to be interested, including Members of Parliament, consultants, academics, and others. We will be asked about our response to the report, and it would be useful to give it a general endorsement by including a foreword. I would propose to make these arrangements known by means of an arranged Parliamentary Answer. Drafts are enclosed. If you agree I will arrange for low key publication of the edited report as soon as possible.

6 To summarise, I propose that:

- a. we should make the three reports publicly available subject to some editing;

- b. we should commend the paper on policy work in an arranged Parliamentary Answer and by adding a brief foreword;
- c. all policy reviews and new policy initiatives should include consideration of subsequent policy assessment;
- d. instructions to departments on the preparation of policy proposals for Cabinet Committees should include a requirement to consider subsequent policy assessment on the lines I have suggested.

I am sending copies to all Ministers in charge of departments and to Sir Robert Armstrong and Sir Robin Ibbs.



PETER REES

POLICY WORK AND THE FMI

1. SUMMARY

1.1 The Financial Management Unit has looked at the implications of the FMI for policy analysis and evaluation in departments. We have concentrated on how departments assess what programmes of expenditure are actually achieving.

1.2 Our conclusions are based on a number of case studies on how departments deal with specific policy areas. This was supplemented by other case material and more general discussion.

Main findings

1.3 As some of our case work shows valuable progress is being made and good practice established in assessing the performance of programmes but there is scope for very considerable further improvement. In many areas:

- policy aims or purposes, where stated, are not expressed with sufficient precision to allow assessment of whether these purposes are being achieved or not;
- assumptions about the nature of the problem or conditions with which the policy is intended to deal are not made explicit and therefore not systematically tracked to see whether the assumptions remain valid; and
- assumptions about the link between the policy and impacts on the world outside are not made explicit and therefore not systematically tested.

Benefits of Improved Performance Assessment

1.4 Evidence from the case work shows that improvements in assessing the performance of policies can help to identify more quickly and more systematically outdatedness, misdirection or unsatisfactory results. In turn this can and should provide Ministers with more options for redirecting or adjusting programmes in ways which give greater room for manoeuvre for securing policy objectives within a given public expenditure total. Better assessment of programmes can also help Ministers to make the case for proposed changes in programmes to those affected outside Government.

1.5 We do not underestimate the difficulties in making improvements. Some of these are technical - for example identifying and developing appropriate performance indicators and output measures. The pressures of day-to-day business are also not conducive to adopting a systematic approach to performance assessment, particularly where results can be assessed only over a long timescale. But some of the case studies show that with well directed effort good practical progress can be made quickly, particularly in programmes directly funded and controlled by departments. We recognise that the pace of improvement might necessarily be slower in those programmes where departments' influence is less direct.

Recommendations

1.6 Recommendations are concerned not with techniques as such nor to introduce some new all embracing system or methodology. They aim to define good practice, and to facilitate its application more widely, and more quickly.

1.7 The recommendations are in three areas:

- The **organisation** of roles and responsibilities for performance assessment.
- The need for a comprehensive **approach to performance assessment**.
- The need for **enabling mechanisms** to establish firmly the required approach to assessing performance.

Organisation

1.8 We believe there is a requirement to be clearer about the respective roles of policy, finance, and specialist divisions, and of operational units. We recommend that:

- Policy Divisions should take the lead in the monitoring and evaluation of policy, the use of resources, results, and performance - and for proposing and taking appropriate action.
- Finance Divisions have an important supporting role in the use of analysis and systems development. This will require an increased use of specialist skills. The finance function also has a particular responsibility, acting in support of top management, to challenge and question the adequacy of the way in which policy divisions perform their monitoring and evaluation role.
- Where the execution of policy is in a separate operational unit it is particularly important that explicit and clear links are established between such units and the relevant policy division. These links should provide for a two-way flow of information about objectives, resources and achievements in addition to more routine matters.

Approach to Performance Assessment

1.9 Performance assessment consists of a number of separate elements, the importance of which is not always recognised. We recommend that, for effective performance assessment, policy divisions should collect and analyse information about:

- The effects of policies.
- The efficiency with which these effects are achieved.
- The environment within which the policy operates. It is assumptions about the environment which provide the justification for the policy in the first place, and which need to be kept under review if policies are not to outlive their usefulness.

Enabling Mechanisms

1.10 The best time to establish a more systematic approach to performance assessment is when policy is being reviewed or a new policy initiative is being launched. We therefore recommend that:

- All policy reviews, however initiated, should lead to a clear statement of how the performance of the policy, as redirected, is to be subsequently assessed and the arrangements for doing so.

- As a matter of course, when a new policy initiative which involves significant public expenditure is launched the proposed plans for subsequent monitoring and evaluation should be clearly specified. The PFO should advise top management of the adequacy of these plans.

Where such policy proposals are contained in Cabinet Papers, a short statement on the arrangements for subsequent performance assessment should be included.

Role of Top Management

1.11 There will be a need for top management:

- (a) to make clear that they accord this work high priority, and that they expect to receive from policy divisions improved analysis and information about the performance of programmes;
- (b) to consider the improved performance information when reviewing programmes and allocating resources (especially in PES); and
- (c) to be prepared wherever possible to set objectives which are drawn in sufficiently specific terms to enable policy divisions to monitor progress.

DRAFT PARLIAMENTARY QUESTION FOR WRITTEN ANSWER

To ask the Chief Secretary if he will make available the final reports of the Financial Management Unit.

SUGGESTED ANSWER

Yes. Copies of three reports, Policy Work and the Financial Management Initiative, Resource allocation in Departments - Role of the Principal Finance Officer, and Top Management Systems Second Report, are being placed in the Libraries of both Houses. They are useful background documents for Members and others who have an interest in civil service management matters, and a number of copies can be made available on request.

The Government shares the approach to policy management which is described in the report on Policy Work and the Financial Management Initiative and will be considering further how best to take advantage of the useful ideas which are discussed in that report.

DRAFT FOREWORD

Since this report by the Financial Management Unit is likely to be of interest to Members of Parliament, academics and consultants, and others who are concerned with management matters, it has been decided to make it publicly available. The report reflects the views of the members of the Financial Management Unit, and should not be read as a statement of Government policy. However the Government have indicated that they share the approach to policy management which is described in the report. They will be considering further, with the help of the Joint Management Unit which has been set up to carry forward the work of the FMU, how best to take advantage of the useful ideas which are discussed in the report.

2. This report, with the other reports prepared by the Financial Management Unit, is a helpful contribution to the continuing drive to improve the efficiency of Government.



PRIME MINISTER

At the end of November you asked the Efficiency Unit to look at the implementation of efficiency scrutinies. The work has been carried out by a small team, led by Kate Jenkins. I attach their report.

2. The key problem they identify is delay. Scrutinies identified savings worth £600 million a year in central government departments since 1979. But although scrutinies themselves only take 4-6 months, the savings do not start to build up for two years - and sometimes take up to five. If the delay had been cut to 6 months the cumulative benefit to the taxpayer would have been an additional £300 million. On the other hand the case studies show that even radical changes can be implemented quickly.

3. The evidence confirms that scrutinies are a swift and effective means of identifying what needs to be done and that what we need is the same urgency in doing it. The main changes the team recommend are:

(1) to make the Permanent Secretary accountable for achieving quick results from each scrutiny without diminishing the involvement of Ministers.

(2) to start out with the intention to achieve substantial improvements within two years of the start of each scrutiny.

(3) to ensure continuity between the scrutiny and its implementation.

4. Departments have been open and constructive about the study. I find the evidence convincing; and I judge that the recommendations will help departments improve their performance and provide better value for money for the taxpayer. I hope that you will endorse the report. I suggest that your office should send it to all Ministers in charge of Departments and their Permanent Secretaries. I attach the draft of a possible letter from your Private Secretary.

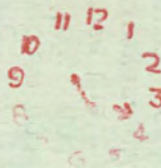
5. If you have time I think you may find Annex 1, as well as the report itself, worth looking at: it sets out starkly how long the delays are and how much they cost.

6. I am copying this to Sir Robert Armstrong.

ROBIN IBBS
14 May 1985



15 MAY 1985





DRAFT LETTER FROM THE PRIME MINISTER'S PRIVATE SECRETARY TO
PRIVATE SECRETARIES OF MINISTERS IN CHARGE OF DEPARTMENTS

In David Barclay's minute of 29 November Sir Robin Ibbs was asked to supervise a study of the implementation of efficiency scrutinies. The Prime Minister has now received his report.

2. She is impressed by the evidence that implementation often lacks the same sense of urgency as the scrutiny itself. She is concerned at the cost to the taxpayer of the delay in achieving savings and other improvements. She endorses the main recommendations, which are:

- ✓ (1) to make the Permanent Secretary accountable for achieving swift results from each scrutiny without diminishing the involvement of Ministers.
- ✓ (2) to start out with the intention to achieve substantial improvements within two years of the start of each scrutiny.
- ✓ (3) to ensure continuity between the scrutiny and its implementation.

3. I enclose two copies of the report (one for your Minister, one for your Permanent Secretary). The Prime Minister hopes that your Minister will ensure that these changes are brought about in his department - not only for the new scrutinies starting this year but also for those from previous years where results have not yet been achieved. *She has asked Sir [redacted] to report to her regularly on the progress being made ^{by Sir Robin Ibbs} ensuring that scrutinies are implemented ~~promptly~~ as ^{quickly} as possible.*

Shzahg



cc 10

NBPM

FCS/85/134

SECRETARY OF STATE FOR THE ENVIRONMENT

Future Development of PRS

1. I am grateful for the opportunity to comment on your letter of 11 April to the Chief Secretary.

2. I share the view of colleagues who have said that much more work needs to be done before decisions are taken on further devolution of responsibility for accommodation to Departments. The introduction of the PRS accommodation charge in 1983 has already made the most significant contribution possible towards cost-consciousness. The additional steps in that direction which you propose may not necessarily lead to an overall improvement in value for money. As Nicholas Ridley pointed out in his letter of 30 April, there could be manpower implications and practical difficulties for Departments taking over increased work for which they lack expertise. Moreover, the reduction of the funds at PSA's disposal would presumably reduce your ability to react to unpredictable requirements and to establish priorities on an estate-wide basis. I note that you say the level of maintenance that can be financed will fall well short of the requirements shown by PSA's three year forward programme.

3. There is also the problem of ensuring that PSA's money is distributed fairly to Departments. You will recall that in the PES transfer which launched PRS in 1983 the calculations were rather broad brush so that some Departments, including my own, received inadequate PES transfers whereas others

/received



received more than they needed. In any distribution of decoration and maintenance funds, Departments with old buildings and high ceilings are likely to lose out unless the method of reducing the accommodation charge is carefully tailored to the nature of individual Departments' needs.

4. I agree with the Inter-departmental Committee's conclusion that there should be a reallocation of PES when individually assessed rents for office and storage accommodation are introduced in 1986/87. Based on current information the FCO Diplomatic Wing expect to require over £1 million. The ODA Wing still await definitive rental quotations from the PSA to enable them to assess the overall impact.

5. In principle, it also seems reasonable to handle the subsequent five yearly rent reviews by applying annual rent increases to the intervening years based on a standard factor. However this factor must not exceed the Treasury's PES uplift factor otherwise PSA will be making a profit at the expense of other Departments.

6. For all these reasons I think that the proposals outlined in your letter need to be considered with great care. My officials will be in touch with yours about the details.

7. I am copying this minute to the recipients of your letter.

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

GEOFFREY HOWE

Foreign and Commonwealth Office

14 May 1985

Govt Machinery : Raynes # 17.





Caxton House Tothill Street London SW1H 9NF

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

Switchboard 01-213 3000

Rt Hon Patrick Jenkin MP
 Secretary of State for the Environment
 2 Marsham Street
 LONDON SW1

10 May 1985

NBPM

PROPERTY REPAYMENT SERVICES (PRS)

with MEA?

Thank you for sending me a copy of your letter of 11 April to Peter Rees.

I welcome the proposal for greater delegation to Departments set out in the 5th paragraph of your letter - although for my part, I would like to go still further. I welcome also the proposals in your 6th paragraph; provision of adequate information by PSA to Departments, eg about lease conditions, is clearly of the greatest importance.

My main concern, however, is with the earlier part of your letter where you come down very firmly in favour of a continued central management of the estate and by implication, therefore, against untying from PSA (other than the extension of delegation to Departments already mentioned, which I see as an extension of the present delegation in the field of house-keeping and maintenance rather than as a radical move towards untying). For my part I would favour a much more radical approach towards untying and I hope it is not suggested that we should here and now decide to rule that out. It would seem very odd to do so at this particular moment, when we are awaiting the central report of the multi-departmental review of accommodation which, although its terms of reference did not include untying, may well shed light on the pros and cons of such an approach - as did the review in my own Department which formed part of the multi-departmental review.

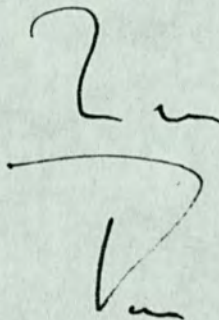
I believe that the more information we can amass about the practical possibilities of going further down the untying road, and the advantages and disadvantages, the better placed we shall be to take a rational decision. I have therefore asked my officials to consider selected experiments with untying this year initially in two of our regions, designed to show whether, with the help of a consultant, my Department is

able to exercise its responsibilities for property management effectively for larger projects unaided by PSA. Arrangements for this are currently under consideration and my officials will be in touch with yours soon.

I am also asking my officials to take a special look at our heating and lighting costs to determine whether more can be done towards making early savings.

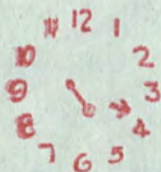
Finally, I note the approach you propose for implementing the change to individually-assessed rents. But if annual rent increases in the intervening years between 5 yearly reviews are based on the GDP deflator - as I understand your officials propose - then a further squeeze is implied on Departments' cash provision. This may well have implications for overall PES requirements, which we shall need to pursue in the relevant discussions.

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

A handwritten signature in dark ink, consisting of a stylized 'Z' or '2' shape with a horizontal line extending to the right, and a vertical line below it that curves to the right at the bottom.

Raynel: GOV. MACH #17

10 MAY 1985





ceaso
NO responding

Treasury Chambers, Parliament Street, SW1P 3AG

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

*Direct advice
from NO.
MAY 9/5*

8 May 1985

John Patrick

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for your letter of 11 April about the future of the Property Repayment Services Scheme. I have also seen Norman Tebbit's and Nicholas Ridley's letters of 29 and 30 April.

I am content for officials to consider the proposals outlined in your letter with a view to a further package of changes being introduced on 1 April 1987. I hope however that it will be possible to bring in new arrangements for internal decorations in 1986-87. The details will have to be worked up quickly to keep open this option. Although there would be no need to adjust PES provisions the arrangements would need to be settled by the autumn so they could be reflected in the Estimates for 1986-87.

Norman Tebbit and Nicholas Ridley have asked whether the present proposals go far enough. As Norman says it is vital that we get the allocation of accommodation costs right and I agree there is scope for further PRS developments beyond those examined in PSA's paper. However, I would prefer the present package to be worked up rather than referred back to an enlarged interdepartmental Committee - for two reasons. Firstly, I am anxious for the present target dates to be preserved, because these are worthwhile changes which should not be further delayed. Secondly, any more radical changes will need to take account of the outcome of the separate review of the future of the PSA. I consider that it would be premature to launch a more fundamental restructuring of the PRS until we have reached decisions on that review and on the appropriate balance of PSA's and departments' responsibilities. But if some further discussions at official level of the development of PRS would be useful, no doubt our officials could arrange for that - taking account also, as Norman suggests, of the multi-departmental review of accommodation.

Rayner: GOV. MACT. P417.

I do not think it follows that the present proposals will have the severe manpower impact that Nicholas Ridley fears. A distinction needs to be drawn between, on the one hand, responsibility for commissioning and paying for work and, on the other hand, the business of placing and supervising contracts. There is no reason why transfer of the former from PSA to departments would have to be accompanied by a transfer of the latter.

Finally, my officials have received the forward maintenance programme and are examining its financial implications with yours. One point I shall need to consider with you very carefully in the Survey is the extent to which additional money could be made available by more rapid disposal of surplus accommodation. I have asked my officials to pay particular attention to this in their discussions with yours.

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 sincerely
Peter Rees

PETER REES

9 MAY 1985
8 9 10 11 12 1 2 3 4 5 6 7

copy

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



From the Minister

NBPM

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

RECEIVED
MAY 13 1985

7 May 1985

Peter Rees

PROPERTY REPAYMENT SERVICES (PRS)

Patrick Jenkin kindly sent me a copy of his letter of 11 April to you. Some of the proposals now emerging are clearly useful and far-reaching but in view of discussions so far in the Inter-Departmental Committee, it is clear that a good deal of further work needs to be done. I am glad, therefore, to see Patrick's assurance that all Departments will have an opportunity to comment before decisions are taken.

Perhaps this would also be an opportune moment to remind ourselves that at the time he made his recommendations, Sir Derek Rayner laid stress on the need for simplicity in the development of the PRS. I believe that this, together with the development of better communications both within and between PSA and Departments, which Patrick mentions, is most important. The effects of whatever decisions we eventually take on this will have to be taken into account in setting running cost targets.

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.

Michael Jopling

MICHAEL JOPLING

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CABINET OFFICE

*From the Chancellor of the
Duchy of Lancaster*

Lord Gowrie

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The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment
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3 May 1985

MBM

John Patrick,

PROPERTY REPAYMENT SERVICES (PRS)

Thank you for copying to me your letter of 11 April to Peter Rees. I have also seen Norman Tebbit's letter of 29 April.

As you know, I shall soon be reporting to the Prime Minister on the multi-department review of accommodation. Much of what is coming out of that review coincides with the general points you make. In particular, given that it is likely to continue to be necessary for some time to have central management of the estate, I endorse your view that departments must become co-operative partners with PSA if we are to get best value for money from government accommodation. I agree with you that, to get to that stage, there must be greater sharing of information, a clearer understanding of respective roles and responsibilities and better joint planning.

You make some general proposals for developing the PRS system and it is right that departments should want to consider these in detail. But I think it is equally right that such consideration should not be in isolation from other initiatives which may be relevant not only to PSA's views on the way forward but also departments' reactions to PSA's proposals. I am concerned mainly with the findings of the multi-department review which will indicate alternative ways of progressing the PRS system but there are other initiatives which may affect PSA's role. I trust therefore that your officials will allow sufficient time for all these matters to be taken into account. As Norman Tebbit rightly says, it is important to get the future of PRS right from both

departments' and PSA's standpoint and that means that consideration of your proposals should be carried out in the light of all possible options.

On how to take forward this consideration it strikes me that your proposals will pose a major task for the Inter-departmental Committee on PRS over the next two years. Norman suggests enlarging the Committee's membership and I understand that the multi-department review is likely to make a similar suggestion to include more "client" departments and that this view is welcomed by both PSA and Treasury. That approach seems right. Certainly I would have thought there is benefit in adding to the Committee those departments which took part in the review which are not already represented on it, namely Customs and Excise, DTI, Energy, and DOE and Transport.

As to your detailed proposals for improving the PRS system, these seem to be broadly on the right lines. But they raise a number of questions which I hope your officials will cover when they consult departments. For example, if PSA can agree to departments ordering works items up to £5,000 as a "safety valve", why not in all cases? Similarly, if departments can commission some new works, why not all? In addition, there are some issues which do not seem to be addressed directly. Will the proposals provide further incentives for departments to make economies in their use of accommodation? Will they draw on the lessons departments have learned under PRS on how to get value for money from private contractors? Will they help bring home to departments the cost of maintenance (not just rent and rates) on individual buildings?

Wearing my other hat as Minister for the Arts, I ought to put up a marker on the position of the national museums and galleries. As you know, we are currently conducting an inter-departmental review of the relationship between the OAL, PSA and the museums and galleries as regards the management of the latter's buildings. Among the options being examined are the partial or complete "untying" of the museums from the PSA, and other ways of giving the institutions greater control over servicing, maintenance and new works at their premises. One specific issue is whether at least some if not all of the elements of the PRS regime should in future be applied to the museums (which were deliberately excluded when PRS was first introduced). Decisions on this or other aspects of the review will clearly

need to take account not only of the existing PRS regime but also of any prospective changes in it. An important factor will be whether any elements of PRS are capable of adaptation where necessary to meet the special circumstances of the museums. And of course any switches of financial responsibility to the museums themselves would need to be accompanied by appropriate PES transfers. I hope therefore that your officials will continue to keep in close touch with mine on developments in these matters.

On the points that you raise about PES, I have two comments of principle. First, I am sorry to see that as far as maintenance provision is concerned, matters do not seem to have moved very much further forward since our correspondence last year. The multi-department review has found evidence (which other studies confirm) that many government buildings are under-maintained. This creates a poor impression on staff and visitors alike. Further, neglected maintenance may store up problems and costs for the future and we need to be sure that the available funds are spent to the best effect. Your point that central management is necessary to ensure timely preventive maintenance may be right - but only if central management is working properly. This is a matter for you and Peter Rees, but departments are increasingly demanding a demonstrable return for their contribution in the form of the accommodation charge. The problem is undoubtedly now urgent and I hope that a satisfactory solution can be found quickly.

My second point is on your proposal for annual rent increases based on a standard factor. While I understand that Peter Rees attaches considerable importance to this approach, it is bound to compound the artificiality of the proposed system for individually assessed rents in the eyes of departmental Ministers. I return to the need, which I stressed in my letter of 6 September, for you to convince departments of the arguments for your proposed approach.

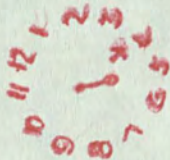
I am copying this letter to the Prime Minister, members of the Cabinet and other Ministers in charge of departments and to Sir Robert Armstrong and Sir Robin Ibbs.

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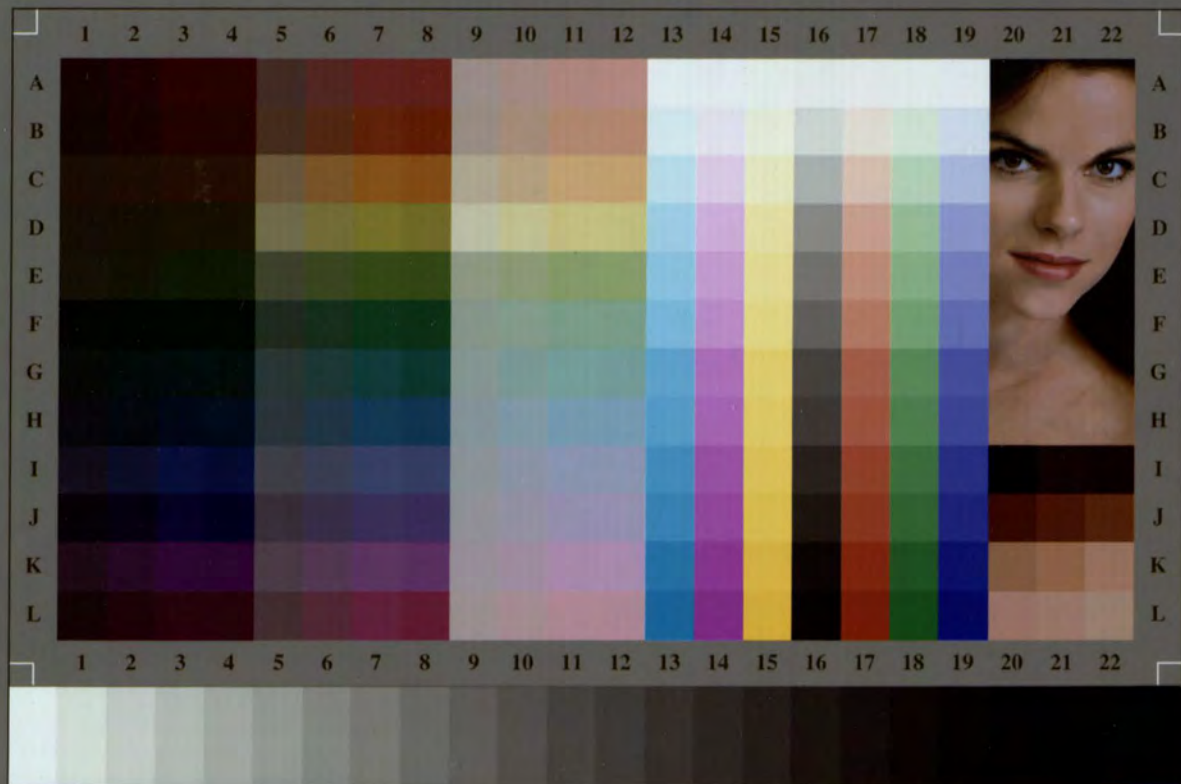
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