MT

PART 21

CONFIDENTIAL FILING

The Rayner Programme

Promotion of efficiency and waste

The Scrutiny Programme

In folder: Review of Accommodation Report.

GOVERNMENT MACHINERY

PT 1: May 1979

PT21: June 1986

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4.6.86.~~		31.10.86					
~~6.6.86~~		PT21 ENDS					
~~12.6.86~~							
~~16.6.86.~~							
~~18.6.86~~							
~~24.6.86.~~							
~~2.6.86~~							
~~1.7.86~~							
~~7.7.86~~							
~~10.7.86~~							
~~11.7.86~~							
~~14.7.86~~							
~~14.7.86~~							
~~19.7.86.~~							
~~24.7.86~~							
~~30.7.86.~~							
~~12~~							
~~6.8.86~~							
~~7.8.86~~							
~~19.8.86~~							
~~18.9.86~~							
~~19.9.86~~							
~~14.10.86~~							
~~21.10.86~~							
~~24.10.86.~~							
~~29.10.86~~							

PREM 19/1774

PART 21 ends:-

MPO to NLW 31/10/86

PART 22 begins:-

NLW to SIR ROBIN IBBS 3/11/86

cc BS

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

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

N L Wicks Esq CBE
Principal Private Secretary
No 10 Downing Street
LONDON SW1

31 October 1986

CF. The Efficiency Unit are clearly unlikely they are content with the draft below. PC done in few days time if not before then. N.W.

Dear Nigel,

PROGRESS REPORT ON MULTI-DEPARTMENT REVIEW OF ACCOMMODATION: FURTHER ACTION

I promised to let you know what further action we proposed by way of follow-up to Andy Bearpark's letter of 14 October, which set out the Prime Minister's reaction to the progress report on the multi-department review of accommodation and in particular her hope that all departments will have completed occupancy audits and set themselves ambitious targets by January next.

As you know, my Minister has already written to colleagues with copies of the report to pass on the Prime Minister's comments. We suggest that you should follow this up with a letter (draft attached) asking all departments to take the necessary action by next January, and tasking MPO with collating the results. We will then briefly report back to you on this special effort. A fuller report will be prepared as originally envisaged for September 1987, by which time we hope departments will have concrete savings to show.

There is no doubt that the Prime Minister's personal interest will enable us to tackle departments more robustly on this matter. I should be grateful to know whether you are content with this approach.

Yours ever

Michael

M C STARK
Private Secretary

CAJAJE

DRAFT OF 31 OCTOBER 1986

Stephen Boys Smith
Home Office

DRAFT LETTER TO DEPARTMENTS

MULTI-DEPARTMENT REVIEW OF ACCOMMODATION: PROGRESS REPORT

The Minister of State, Privy Council Office, wrote to your Minister on 24 October 1986 with a copy of the progress report on the multi-department review of accommodation.

The Prime Minister was disappointed that the original hope for savings of £50 million by 1988 ~~had to be~~ was reduced to £15-20 million. She has indicated that Ministers and senior management should attach significant priority to this review and hopes that all departments will have completed occupancy audits and set themselves ambitious targets by January next.

It is up to departments to set their own targets in the light of their particular circumstances in the context of overall running costs control. Nevertheless, if your department has not yet completed its occupancy audit or set itself a target for space use by 1988, the Prime Minister has asked that your Minister should ensure that it does so now. If the occupancy audit is underway but not yet complete, it should nevertheless be possible to set a target on the information you already have. Targets should be realistic but ambitious - they may be revised if circumstances change but it is essential to have a stimulus to action in the short term.

If your department has already set a target, your Minister will wish to subject it to critical review. Is it challenging enough to stimulate action? Or is it merely a statement of current plans? The Department of Trade & Industry DTI has set an example by setting a target of 10% space reductions by 1987.

The Prime Minister is looking for evidence of a real effort on

departments' part to reduce their space use. Officials in MPO will be in touch with accommodation contacts in departments over the next few weeks to offer any help they can in firming up departmental plans and to discuss the contribution individual departments can make. They will also be interested in any examples you can offer of improvements in the working environment. They will then collate the results for the Prime Minister.

I am sending a copy of this letter to the PUS Secs of State & all Ministers in charge Departments, of Mr Bruce, Sir RTA + Sir Robin Ibbs.

N WICKS

Garden Rooms: PM dealt with Bruce's own office circulation last w. Same as those who get this letter of 24 Oct.

GOVT. MACH: Rayner: Part 21

Garden Rooms
PL type
Nigel

CF
Xpl.
NCW
31-10

cc BS

Ref. A086/3108

MR WICKS

c Miss Kate Jenkins

Improving Management in the Civil Service

at top of file
File with NLW

X

Thank you for sending me a copy of your note of 29 October to Kate Jenkins about the bidding letter for the Efficiency Unit's scrutiny on improving management in the Civil Service.

2. I should like to suggest a slightly revised working of the letter. I think that this needs to be carefully handled if it is to be productive.

3. I should of course be happy to discuss this with Sir Robin Ibbs and with you.

RA

ROBERT ARMSTRONG

31 October 1986

Cleared with Kate Jenkins
NCW
3.11

BM2AXC

DRAFT MINUTE FROM MR N L WICKS TO SIR ROBIN IBBS, CABINET OFFICE EFFICIENCY UNIT

Improving Management in the Civil Service

The Prime Minister discussed recently with you the next steps in improving management and efficiency in the Civil Service.

The Prime Minister recognises that great strides have been made in improving management and efficiency in the Civil Service during the last few years. That achievement is a tribute to the professionalism and dedication of managers and staff at all levels in Departments. Now she sees the need as being to build on what has been achieved and maintain and where possible accelerate the momentum of improvement.

She would like the Efficiency Unit to carry out a scrutiny with the aim of identifying what needs to be done to ~~maintain that momentum, and~~ bring about further improvements in efficiency and management throughout the Service.

(9 by RTA)

RTAADU

She suggests that in order to carry out this exercise the Efficiency Unit should talk to a number of Ministers and Permanent Secretaries, as well as to other managers. The aim would be not to institute more systems, but to identify obstacles to progress and give a renewed stimulus to action. The Unit, in their discussions with Departments, might concentrate on:

- the progress achieved in improving management in the Civil Service;

- what measures have been successful in changing attitudes and practices;

- the institutional, administrative, political and attitudinal obstacles to better management and efficiency that still remain;

- what further measures should be taken.

The Prime Minister would be grateful if you could supervise this scrutiny and report to her on its findings by February 1987.

RTAADU

I am copying this minute to the Private Secretaries to Ministers in charge of Departments and to Sir Robert Armstrong.

RTAADU

GOVT MACH: Rayner: Part 21

MR WICKS

DHSS SCRUTINY OF AGENCY BENEFITS

The Prime Minister expressed her concern to Robin Ibbs on 24 October that the savings of £22m identified by this scrutiny might be lost. You spoke to the Chief Secretary's office last week, but I gather that the subject was not raised in Star Chamber with Mr Fowler.

2. One of the sticking points in DHSS is whether the marginal adjustments recommended to the rules for exemption from prescription charges go against commitments given by the Prime Minister.

3. This is a question which the Prime Minister might like to look at herself. I suggest you ask DHSS for a report on the scrutiny. I attach a draft.

KATE JENKINS
31 October 1986

DRAFT LETTER FOR SIGNATURE BY MR WICKS

PL type

Tony Laurance Esq
Department of Health and Social Security

SCRUTINY OF AGENCY BENEFITS

noted

The Prime Minister recently discussed with Sir Robin Ibbs the results of the 1985/86 scrutiny programme. She ~~expressed concern~~ that savings of some £22m were outstanding on the scrutiny of Agency Benefits.

The Prime Minister would be grateful for a short note outlining the main components of the savings and when they are expected to be made. She would be grateful in particular if the note could bring out the nature of changes which would be necessary to the rules governing exemptions or refunds for prescription charges. ~~Perhaps you could let me have this note within three weeks.~~

FILE

VC

10 DOWNING STREET

From the Principal Private Secretary

MISS KATE JENKINS
EFFICIENCY UNIT

IMPROVING MANAGEMENT IN THE CIVIL SERVICE

Thank you for your notes on the follow up to Sir Robin Ibbs' discussion with the Prime Minister last Friday.

I have written as you suggested save in respect of the remit on improving management in the Civil Service. Here, I believe it would help departments, and you, if a rather fuller letter was circulated and I attach for your comment a possible draft, which, as you will see, draws heavily on Sir Robin Ibbs' note of 16 October to the Prime Minister. Please could you let me have your comments on this draft by Thursday evening.

I am sending a copy of this minute to Trevor Woolley in Sir Robert Armstrong's Office for his comments too.

N.L.W.

N.L. WICKS

29 October 1986

CJ

SIR ROBIN IBBS

IMPROVING MANAGEMENT IN THE CIVIL SERVICE

The Prime Minister discussed recently with you the next steps in improving mangement and efficiency in the Civil Service.

The Prime Minister recognises that great strides have been made in improving management and efficiency in the Civil Service during the last few years. That achievement is a tribute to the professionalism and dedication of managers at all levels in departments. But the Prime Minister believes that despite this good record there is still more to be done. She would like the Efficiency Unit to carry out a scrutiny with the aim of identifying what more can be done to accelerate change in management style throughout the Service so that further improvements in efficiency and management can be made.

As part of this exercise the Efficiency Unit should talk to a number of Ministers and Permanent Secretaries, as well as to other managers, on the next major step in management improvement. The aim would be not to institute more systems, but to stimulate more action. The Unit, in their dicussions with departments, should concentrate on:

- the progress achieved in improving management in the Civil Service;

- what measures have been successful in changing attitudes and practices

- the real nature of the major obstacles to better management and efficiency that still remain

- what the next step should be.

The Prime Minister would be grateful if you could supervise this scrutiny and report to her on its findings by February 1987.

I am copying this minute to the Private Secretaries to Ministers in charge of Departments and to Sir Robert Armstrong.

N.L. WICKS

VSCACC

DRAFT FROM NO.10 TO PRIVATE SECRETARY TO MR LUCE

MULTI-DEPARTMENTAL REVIEW OF ACCOMMODATION PROGRESS REPORT

The Prime Minister has been giving further consideration to this issue.

In addition to the points covered in Mr Bearpark's minute of 14 October, the Prime Minister considers that it is premature at this stage to diverge from the original target set of £50m by 1988. Where Departments have already set targets, the Prime Minister would like them to be re-examined by January 1987 to ensure that they are sufficiently ambitious.

Following this, and the completion of occupancy audits and the setting of ambitious targets by those Departments that have not yet completed these tasks, the Prime Minister would like a further report outlining what steps are being taken to ensure that the targets set are achieved.

I am copying this letter to Jill Rutter (Chief Secretary's Office) and Trevor Wooley (Cabinet Office).

de VC

10 DOWNING STREET

From the Principal Private Secretary

SIR ROBIN IBBS

The Prime Minister saw you on 24 October to discuss the four issues outlined in your minute of 22 October. Miss Kate Jenkins was also present.

Progress Chasing: Ministry of Defence

The Prime Minister welcomed the institution of regular project reports from the Ministry of Defence. It would be very important to ensure that the information that went into the reports was strictly accurate and realistic. She raised a detailed point about the Stingray figures, and suggested that the figures for Trident should be broken down to indicate spending on the different components of the system. Where the reports showed that projects were running into difficulties, she would want a rapid explanation of the reasons why and a clear indication of where responsibility lay. She might wish to intervene directly herself on such occasions.

The Prime Minister welcomed Scrutiny to be carried out to examine the MOD's technical and scientific resources, to ensure proper target setting and monitoring of progress up to the contract specification stage. She noted that past experience, for instance with Nimrod, revealed that this was often the phase where major mistakes were made.

The Prime Minister notes your doubts about the effectiveness of the Defence Equipment Policy Committee. She wonders whether there is a case for a drastic revision of the structure, membership and procedure of this committee. In the

VC

case of really major projects, she believes that the Committee might be instructed to report to senior Ministers collectively rather than just to Defence Ministers. You agreed you would talk to Sir Robert Armstrong about these points so that they could be followed up in the course of your further contacts with the MOD.

Improving Management in the Civil Service

The Prime Minister agreed that you should proceed as you suggested in your minute of 16 October. She was most concerned that such an initiative was needed after seven years of effort to improve management in the Civil Service. You emphasised that real progress had been made in improving Civil Service efficiency during the last seven years. New systems were not required, but existing systems needed to be given a sharper edge. In contrast to ICI, there was a lack of eagerness down the line in the Civil Service to push forward the drive for efficiency. The challenge now was to accelerate the change below the highest level. You believed that you would have the cooperation of the Permanent Secretaries in this endeavour. But you feared that as the General Election cast its shadow the pressure for reform would fall. The Prime Minister urged that you should press forward with your inquiry. She would consider whether it would be worth her meeting certain Permanent Secretaries to help push matters forward.

Scrutiny Programmes

The Prime Minister was most disappointed to read that progress in implementing the Scrutinies was not as good as it should be. It was noted that action plans were still outstanding for both the 1985 Ministry of Defence Scrutinies. She agreed that you should proceed as you proposed in your minute of 22 October on the Efficiency Unit's Scrutiny Programme. You then discussed certain aspects of the 1985/86 Scrutiny Programme during which the Prime Minister asked that the Chief Secretary's attention should be drawn to the saving of

£22 million recommended following the remission of NHS Charges Scrutiny. (I have spoken to the Chief Secretary's office about this.)

In connection with the Accommodation Review, and her recent decision that ODA should occupy Richmond Yard, the Prime Minister asked the Efficiency Unit to confirm that ODA would be charged a proper rental for their use of the building. The Unit might think it worthwhile generalising their enquiry to check that all departments were being charged proper level of rents for the property they occupied in central London.

VFM Targets

The Prime Minister noted that you would shortly report to her on your round of talks with Ministers and Permanent Secretaries to discuss their value for money targets.

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

N. L. W.

N. L. Wicks

28 October 1986

file

DG2BMF

cc Efficiency Unit

10 DOWNING STREET

From the Principal Private Secretary

28 October 1986

The Prime Minister discussed last week with Sir Robin Ibbs the Efficiency Unit's central scrutiny programme.

She was disappointed to hear that action plans are still outstanding for both the 1985 Ministry of Defence scrutinies; Naval Ship Acceptance Procedures and Ammunition Procurement. She hopes that you will ensure that these plans are quickly agreed and that their implementation is pursued with vigour.

N. L. Wicks

John Howe, Esq.,
Ministry of Defence.

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

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

Rt Hon Douglas Hurd CBE MP
Secretary of State for the Home Department
Home Office
50 Queen Anne's Gate
LONDON SW1H 9AT

24 October 1986

Dear Douglas,

... I enclose with this letter a copy of the first progress report on the implementation of the Multi-Department Review of Accommodation. Its contents have been noted by the Prime Minister.

The report shows that progress has been made, but the information which has been collected on accommodation use suggests that the original estimate of £50 million savings by 1988 must be revised to £15-20 million. It is all the more important therefore that the savings now identified should be realised on time. The Prime Minister has indicated that Ministers and senior management should attach significant priority to the Review, and hopes that all Departments will have completed occupancy audits and set themselves ambitious targets by January next. Cabinet Office (MPO) will make a further progress report to the Prime Minister in 1987 on the savings achieved by then.

The Prime Minister is concerned that the working environment of many civil servants is still very shabby. Considerable improvements can be made in the working environment at relatively small cost. There will be many competing priorities for the use of any running cost savings but where it is cost-effective to do so the opportunities to improve working conditions should not be overlooked. The increased delegations under the Property Repayment Services system offer departments the room to make such improvements.

Copies of the report will be made available to the Treasury and Civil Service Select Committee and the House of Commons Library.

I am sending copies of 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, and to Sir Robert Armstrong and Sir Robin Ibbs.

Richard

RICHARD LUCE

GOLTNACHT
RAYNER
PT21

MR WICKS

PRIME MINISTER'S MEETING WITH SIR ROBIN IBBS

I am attaching notes on the issues which arose at the Prime Minister's meeting this morning with Sir Robin. It covers:

- a draft letter to Sir Robin asking him to conduct a scrutiny on further steps for improving management and efficiency in the Civil Service;

- a draft minute to Michael Stark on the Accommodation MDR;

- a draft letter to the Private Secretary to the Secretary of State for Defence on Action Plans for the MOD Scrutinies of Ship Acceptance Procedures and Ammunition Procurement.

2. I will provide a note to you early next week on the rent that PSA will be charging ODA for Richmond Terrace, and a note on the follow up on the MOD progress report.

KATE JENKINS
24 October 1986

Pl type for my signature

SR14:No/10

letter

DRAFT FROM No.10 TO SIR ROBIN IBBS

SIR ROBIN IBBS

Improving Management in the Civil Service

At your meeting on 24 October, the Prime Minister made clear the importance she attaches to improving management and efficiency in the Civil Service.

She would like the Efficiency Unit to carry out a scrutiny, based on discussions with Ministers and Permanent Secretaries, as well as at other levels, to assess the progress achieved since 1979, and to find out what more can be done to accelerate the improvement in management style throughout the Civil Service.

The Prime Minister would be grateful if you would supervise the scrutiny and report to her on its findings by February 1987.

I am copying this minute to the Private Secretaries to Ministers in charge of Departments and to Sir Robert Armstrong.

NLW

File

NC

10 DOWNING STREET

From the Principal Private Secretary

24 October 1986

Dear Kate,

Herewith a draft of the letter to Robin recording the action points arising from Friday's meeting. Could you please let me have this back suitably amended so that I can issue it.

I have not included reference to the £50 million on the savings from the multi-departmental review of accommodation and I would be grateful for your advice on how best to do that.

Yours sincerely

Nigel Wicks

N.L. WICKS

Miss Kate Jenkins,
Efficiency Unit.

(88)

VSCABU

DRAFT LETTER FROM MR NIGEL WICKS TO SIR ROBIN IBBS

24 Oct

The Prime Minister saw you ~~this~~ morning to discuss the four issues outlined in your minute of 22 October. Miss Kate Jenkins was also present.

Progress Chasing: Ministry of Defence

The Prime Minister welcomed the institution of regular project reports from the Ministry of Defence. It would be very important to ensure that the information that went into the reports was strictly accurate and realistic. She raised a detailed point about the Stingray figures, and suggested that the figures for Trident should be broken down to indicate spending on the different components of the system. Where the reports showed that projects were running into difficulties, she would want a rapid explanation of the reasons why and a clear indication of where responsibility lay. She might wish to intervene directly herself on such occasions.

The Prime Minister welcomed Scrutiny to be carried out to examine the MOD's technical and scientific resources, to ensure proper target setting and monitoring of progress up to the contract specification stage. She noted that past experience, for instance with Nimrod, revealed that this was often the phase where major mistakes were made.

The Prime Minister notes your doubts about the effectiveness of the Defence Equipment Policy Committee. She wonders whether there is a case for a drastic revision of the structure, membership and procedure of this committee. In the case of really major projects, she believes that the Committee might be instructed to report to senior Ministers collectively rather than just to Defence Ministers. ~~You agreed to follow up these points in the course of your further contacts with the MOD.~~ in consultation with Sir Robert Armstrong, I am would talk to Sir Robert Armstrong about these points so that they could be followed up

Improving Management in the Civil Service

The Prime Minister agreed that you should proceed as you suggested in your minute of 16 October. She was most concerned that such an initiative was needed after seven years of effort to improve management in the Civil Service. You emphasised that real progress had been made in improving Civil Service efficiency during the last seven years. New systems were not required, but existing systems needed to be given a sharper edge. In contrast to ICI, there was a lack of eagerness down the line in the Civil Service to push forward the drive for efficiency. The challenge now was to accelerate the change below the highest level. You believed that you would have the cooperation of the Permanent Secretaries in this endeavour. But you feared that as the General Election cast its shadow the pressure for reform would fall. The Prime Minister urged that you should press forward with your inquiry. She would consider whether it would be worth her meeting certain Permanent Secretaries to help push matters forward.

Scrutiny Programmes

It was noted that earlier plans were still outstanding for both the 1985 Ministry of Defence Scrutinies

The Prime Minister was most disappointed to read that progress in implementing the Scrutinies was not as good as it should be. She agreed that you should proceed as you proposed in your minute of 22 October on the Efficienty Unit's Scrutiny Programme. You then discussed certain aspects of the 1985/86 Scrutiny Programme during which the Prime Minister asked that the Chief Secretary's attention should be drawn to the saving of £22 million recommended following the remission of NHS Charges Scrutiny. (I have spoken to the Chief Secretary's office about this.)

In connection with the Accommodation Review, and her recent decision that ODA should occupy Richmond Yard, the Prime Minister asked the Efficiency Unit to confirm that ODA would be charged a proper rental for their use of the

building. The Unit might think it worthwhile generalising their enquiry to check that all departments were being charged proper level of rents for the property they occupied in central London.

VFM Targets

The Prime Minister noted that you would shortly report to her on your round of talks with Ministers and Permanent Secretaries to discuss their value for money targets.

I am sending a copy of this letter to Sir Robert Armstrong.

hle ECL

PROFESSOR GRIFFITHS

MOD PROJECT REPORTING

I am not sure whether you have seen the minute of 21 September from Sir Robin Ibbs to the Prime Minister about arrangements which the Efficiency Unit have agreed with MOD for regular reports to be made to her on the Ministry's major projects. A copy is attached for ease of reference together with Charles Powell's minute thereon.

Sir Robin specifically asked that the Policy Unit should not refer, in any discussions with the MOD (or for that matter any other Department) to the reports or the information contained in them. If the Unit have questions, they should be in touch with the Efficiency Unit. He explained this request by reference to the Efficiency Unit's difficulties in negotiating preparation of the document with the MOD.

Please could you respect his wishes. If any difficulties arise, please let me know.

N.L. WICKS
24 October 1986

EL3BMB

PRIME MINISTER 23 October 1986

The Scrutiny Programme

Some questions you might ask Sir Robin Ibbs.

1. Recommended savings

For 1985/6 the value of recommended savings was £132m per year, higher than £44m in 1984 and £22m in 1983. But what were the actual savings in 1984 and 1983? Has the Unit monitored the implementation of their recommendations?

2. 1985/6 Programme

Out of 26 scrutinies for this year, 9 show no recommended savings at all and 11 recommended savings of less than £3m per year. Some of these are big programmes e.g. Balance of Health Care with a value of £676m shows no recommended saving as does Skillcentre Training Agency with a value of £80m. This somehow seems implausible. Is it?

Other programmes also yield a small saving e.g. the Community Programme spending £1000m gives a saving of £17m per year and ammunition procurement spending of £360m a saving of only £18.476m per year. Why is this?

3. Implementation

"Progress on implementation is still not as good as it should be - there are still delays in reaching decisions and in implementing accepted recommendations."

Why is progress slow? What are the examples of delays? How can they be improved?

4. <u>FCO Report</u>

"There was an extremely good FCO Report which successfully tackled the issue of how to measure output from the FCO's acitivities and how to use this to improve performance."

We wonder what sense this would make to M & S, Hanson Trust or Ford?

BG.

BRIAN GRIFFITHS

David Hobson

DAVID HOBSON

010

/ 35
B/up
CDP

PRIME MINISTER

MEETING ON 24 OCTOBER AT 9.00 AM

At our meeting on Friday, I should like to discuss:

1. Progress Chasing

flag A My minute of 21 October enclosed the second progress report from the Ministry of Defence. I suggest that we assess whether this meets your requirements and whether any changes are needed.

We have not yet received a similar report from DHSS covering their activities.

We might also briefly review where I have got to in seeking reassurance that project management arrangements in MOD now ensure that there is no recurrence of the weaknesses revealed by NIMROD, particularly on science and technology aspects.

2. Improving Management in the Civil Service

We need to find out what more we can do to accelerate the change in management style throughout the Service. I wrote to you on 16 October to flag B. seek your approval for the Efficiency Unit to talk to a number of Ministers and Permanent Secretaries about the "next major step". As I said, I shall be looking for more action not more systems.

3. Scrutiny Programme

As reported in my minute dated 21 October, the scrutiny programme is getting better. Last year some major programme and policy issues were flag C tackled successfully. Recommended savings totalled £132m. This year's programme is shaping up well; there are good topics and good examining officers.

Progress on implementation is still not as good as it should be - there are still delays in reaching decisions and in implementing accepted recommendations.

4. VFM Targets

I will be reporting to you shortly on my round of meetings with Ministers and Permanent Secretaries to discuss their value for money targets. These have been encouraging. Most Departments are now using targets, rather than simply producing them for the meeting. The quality of the targets themselves is also improving, with more quantified targets and their extension to programme/policy areas. However, there is still some way to go before all Departments have truly stretching targets which cover outputs as well as inputs.

ROBIN IBBS
22 October 1986

PRIME MINISTER

MEETING WITH SIR ROBIN IBBS: MINISTRY OF DEFENCE

Part of your meeting with Sir Robin Ibbs on Friday will be to consider the steps being taken to improve project management in the MOD. The attached note lists three steps:

(i) Project reports This is intended to enable you to see at a glance how matters stand on each major project. It seems useful as far as it goes. It has, it seems to me, two deficiencies. First, it deals only with the phase after contracts have been signed: a great number of the problems we have experienced arise in the pre-contract phase. Second, like a computer, the reports are vulnerable to the garbage in/garbage out phenomenon. The MOD must put in realistic information. With the present chart one could, for example, imagine Nimrod chugging happily along for quite a while with money being spent according to plan without the nature of any problem being revealed.

(ii) Deployment of MOD scientific staff Sir Robin is not satisfied that the MOD are organised to draw up specifications, define technical risks and set realistic targets in the pre-contract phase. He proposes a Scrutiny, to which Clive Whitmore has agreed.

(iii) Defence Equipment Policy Committee Sir Robin judges that this Committee does not ask the right questions or expose potential weaknesses and deficiencies vigorously enough. The Chairman has been formally reminded that it is the Committee's task to do this. Is this really enough? Or do the membership and procedures of the Committee need to be drastically revised? Should they be required to report to Ministers collectively (not just in the MOD) on progress or lack of it with major projects?

CDP

(C.D. POWELL)

22 October 1986

010

CSP

PRIME MINISTER

THE EFFICIENCY UNIT SCRUTINY PROGRAMME

1. When I reported to you last May on implementation of the 1983/84 scrutiny programme, I said I was seeking substantial improvement in the quality of the annual programmes and in results.

2. Signs of such improvement are now emerging. The recently completed 1985/86 scrutiny programme has the potential to be among the best to date and the current year's programme is shaping up quite well. But emerging results from the earlier 1984/85 programme are still not as good as they should have been and emphasise the need for the greater effort now being made. The report by the PAC on Scrutinies has provided useful support for our work.

The 1984/85 Programme

3. I will be reporting to you on implementation of the 1984/85 programme next May when the two year implementation period will be complete. Indications to date, however, are mixed. Good progress on implementation has been made on most scrutinies; particularly a DTI scrutiny on the Radio Investigation Service and a DES scrutiny on the Open University where significant savings are being achieved. But there is a lack of progress on a few others, with decisions on recommendations still outstanding in some cases. I am pursuing this with the Ministers and Departments concerned, stressing the need for substantial progress before May next year.

The 1985/86 Programme

4. A summary of scrutinies conducted in the 1985/86 programme and recommended savings is at Annex A. A number of features stand out:

- at £132m per year, the value of recommended savings is the second highest ever and a significant increase over the £44m in 1984 and £22m in 1983.

- In addition, some scrutinies recommend major re-allocations of expenditure to more effective and efficient uses. For example, the NI scrutiny of the Balance of Health Care recommends that a substantial proportion of expenditure on hospital services be redirected to residential accommodation and community care to provide a more effective and efficient health service.

- the programme also contained an increasing number of programme evaluations and the scrutiny of some major policy issues. In addition to the NI scrutiny, scrutinies were done of the Community Programme, Legal Aid and the Slum Clearance programme.

- There was also an extremely good FCO report which successfully tackled the issue of how to measure output from the FCO's acitivities and how to use this to improve performance.

5. I am greatly encouraged by these features and will be pressing Ministers and Departments hard for quick implementation of accepted recommendations.

The 1986/87 Programme

6. The current year's programme as it stands at the moment is at Annex B. It is not yet complete; some Ministers have still to settle their choice of topics and other subjects are likely to emerge from the current PES round. I shall submit an updated list to you in November so that, if you agree, the 1986/87 programme can be announced in a PQ.

7. The programme contains a number of scrutinies of large expenditure programmes and significant policy issues (eg arrangements for recovering maintenance from liable parents in the social security system and the procedures and policy on school re-organisation proposals). But I am concerned that some Ministers and Departments continue to see the scrutiny programme as focussing predominantly on administrative procedures. I and the Unit have been stressing to Ministers and Departments the suitability of the scrutiny technique for examining major programme and policy issues, which offer substantial value for money improvements, and we shall continue to do so.

8. We have also taken steps during the year to encourage Departments to commission scrutinies outside the central programme on which I normally report. We are proceeding cautiously with such 'franchising', with DHSS conducting and supervising a number of scrutinies this year on its own account and the Home Office supervising a number of scrutinies in the Metropolitan Police. (The NHS already has an established scrutiny programme of its own.) I shall be monitoring the results of these scrutinies closely to see if this wider use of scrutinies can be extended to other Departments. If the concept proves itself, it will provide a means of extending use of the scrutiny technique to a larger number of issues.

Conclusion

9. The 1985/86 and the current programme demonstrate that Departments and Ministers are continuing to use the scrutiny technique to examine substantive issues and that there are large efficiency savings and improvements in value for money still to be had. Pressure to improve administrative efficiency must be maintained but opportunies for very substantial new savings exist through selective scrutiny of programme expenditure. While implementation is improving, there is still insufficient emphasis being placed on the need for quick decisions and implementation. I shall be continuing to press Ministers on this.

10. I am copying this to Robert Armstrong.

ROBIN IBBS
22 October 1986

SR13:85/6SP

ANNEX A

1985/86 SCRUTINY PROGRAMME

Dept	Scrutiny	Value of Activity Covered £m	Cost of Scrutiny £	Recommended savings £m annual	£m one-off	posts
MPO	Occupational Health Service	7.0	49,000	2.5	-	90
DES	Architects & Building Group	1.7	13,400	0.156	-	8
FCO	Output Measures	n/a	22,100	-	-	-
FCO	Sec. of Diplomatic Missions	49.0	70,300	0.8	-	60
DHSS	Remission of NHS charges	240.0	35,000	22.3	-1.3	517
DHSS	Solicitors Branch	4.7	21,000	1.0	-	
SO	Central Advisory Service	1.23	18,500	0.4	-	23
MAFF	Protection of Agric. Land	2.0	30,000	0.11	-	-
NI	Balance of Health Care	676.0	72,000	-	-	-
DOE	Speeding Planning Appeals	4.0	40,000	-	-	-
DOE	Slum Clearance Grant	45.0	21,600	-	-	-
DOE	Environmental Research	20.0	29,600	2.0	-	-
DOE	Pollution Inspectorate	11.9	43,000	-	-	-
C&E	Legal Services	8.9	28,000	1.01	-0.024	-
PSA	Surplus Space	20.0	39,000	-	-	-
MSC	Use of Paper	20.0	36,500	2.72	-	-
DEm	European Social Fund	350.0	32,000	25.0	-	-2
DEm	Community Programme	1000.0	42,800	17.00	-	-
DEm	Skillcentre Training Agency	80.0	32,300	-	-	-
MOD	Ship Acceptance Procedures	0.8	24,700	0.025	-	1
MOD	Ammunition Procurement	360.0	18,700	18.476	-	-
LCD/HO	Court Escorts	50.0	42,000	8.4	-	-
LCD	Legal Aid	390.0	77,000	30.0	-	-
OAL	British Library	5.8	19,000	0.293	-	7
OAL	Film and Television School	2.5	5,000	-	-	-
DTI	Regional Offices	11.0	49,500	-	-	-
	TOTALS	3361.53	912,000	132.19	-1.324	704

KC6:SPROG

ANNEX B

1986 SCRUTINY PROGRAMME (at 17 October 1986)

I: Central Programme

HO:	Probation Inspectorate
DTI:	Measurement Standards
DES:	School reorganisation proposals
DEn:	Publications Programme
C&E:	VAT Skills
	Attendance Patterns
IR:	Taxation of Unemployment Benefit
	Leaflets and Booklets
DHSS:	Liable Relatives
DHSS:	Competitive Tendering
DHSS:	Social Security Regional Offices
DTp:	Marine Survey Service: Objectives and Performance Measurement
	Chief Highway Engineer's command
FCO:	Information Expenditure
ODA:	Project appraisal
SO:	Fisheries Protection
PSA:	The Role of the Professional Advisers

II Devolved DHSS Scrutinies

Printing and Publications
Technical Training of Local Office Staff
Paper Keeping

III Metropolitan Police Scrutinies

Metropolitan Police Force Band
Police Overtime

FOREIGN AND COMMONWEALTH OFFICE

SCRUTINY ON OUTPUT MEASUREMENT IN THE FOREIGN AND COMMONWEALTH OFFICE (DIPLOMATIC WING) AND AT OVERSEAS POSTS

F.B.WHEELER

31 AUGUST 1986

SCRUTINY ON OUTPUT MEASUREMENT IN THE FOREIGN AND COMMONWEALTH OFFICE (DIPLOMATIC WING) AND AT OVERSEAS POSTS

F.B. Wheeler 31 August 1986

TABLE OF CONTENTS

SUMMARY AND MAIN RECOMMENDATIONS

1. The scrutiny looks at output measurement in the FCO (excluding the ODA) and at overseas posts to see whether it can be usefully applied more widely (paras. 1-2; terms of reference at Annex A).

2. The FCO is a relatively small government department with little programme expenditure. 65% of its work at 207 posts takes the form of services to business and the public (paras. 3-4).

3. Output is what a department produces - advice to Ministers, services to the public, etc. It can often be quantified and measured in terms of effectiveness, efficiency and economy. Intermediate outputs can be monitored by performance indicators (paras. 5-6). Output measurement, a standard tool of management in the private sector, can help government departments better to task themselves, achieve defined objectives, allocate resources, etc. (paras. 7-9).

4. Output measurement is widely used in the FCO and its overseas posts, particularly in process work - pay, accounts, registry, to some extent in commercial and consular casework, but scarcely at all in policy work. Statistics collected tend to show activity rather than results and do not fully reflect costs; and objectives are often imprecise (paras. 10-14).

5. Policy work in the FCO is generally "one-off", volatile, responsive, largely unquantifiable in its outputs, and in pursuit of national or wider objectives to whose achievement departments contribute rather than exclusively determine. They are accountable for the "value added" they contribute. Ways of counting aspects of policy work are considered but found wanting (paras.

15-21). Policy departments (and Chanceries) should set specific, where possible quantified, time-related objectives with progress "milestones", in priority order, reviewing and updating them constantly. Results and performance should be evaluated rigorously once a year. Subjective evaluation is valid and useful. Feedback between overseas posts and the FCO should be improved and an experimental system of rating incoming reports tried (paras. 22-30).

6. Commercial work, an important service, is analysed. It is difficult to measure its ultimate objectives of increasing gross domestic product, creating additional exports and company profits and to link these causally with the efforts of the DTI and overseas posts. Cost/impact analysis, however, points the way. The attempt should be made to establish, market by market, the value of additional exports which can be associated with each £1 spent on official export promotion services. Overseas posts doing commercial work should set specific objectives and evaluate results with the help of performance indicators, and obtain better feedback on results from British firms. Sampling techniques should be employed to determine time and cost expended on export promotion activities (paras 31-41).

7. Information work (including the BBC External Services) and Central Office of Information support for the FCO, plays an important role. Its outputs - informing and influencing other governments and people - cannot generally be quantified. Intermediate outputs (e.g. size of BBC audiences, number of articles placed in overseas journals) and costs can be estimated. Existing public opinion polls could be used more widely to identify targets and priorities, and sponsored visits to the UK should be evaluated (paras. 42-53).

8. Consular documentary work - issue of passports etc. -

should be better monitored by performance indicators (paras. 54-59). The effectiveness of consular assistance, another important service, can be evaluated subjectively and casework and costs monitored by the use of worksheets and sampling (paras. 60-64).

9. Entry clearance casework for settlement in and visits to the UK lends itself to output measurement. Norms should be set for interviews, reports and the issuing of visas. Soundness and accuracy of decisions can be improved by better feedback on adjudication and Tribunal results, etc. (paras. 65-73).

10. The relative costs of administration should be monitored closely. Administrative departments in their casework - recruitment, posting, payment, training of staff - should use performance indicators more widely to monitor and evaluate results and improve process control (paras. 74-84). Performance indicators can assist Registry work too. Budgeting and expenditure on the overseas estate is targetted. The same goes for capital projects in the Communications Division which must be completed according to specification, within budget and on time (paras. 85-96).

11. Specialist advisers - legal, economic, technical, research, etc - provide a service to Ministers and line departments who are well placed to comment on quality and timelinesss. Cost/impact analysis could usefully be applied to defence sales (paras. 87-102).

12. Conclusions and Main Recommendations (paras. 103-120):

(a) output measurement is a useful, additional tool of management, shifting the emphasis from inputs, tightly controlled these days by central departments, to outputs;

(b) more rigorous and systematic use of objectives, incorporating performance indicators where possible, in a hierarchy ranging from overall FCO objectives to those of individuals, is a key to better management, will help motivate staff and will assist the Top Management Round in resource allocation;

(c) policy and performance should be evaluated rigorously and continually at all levels and formally once a year. Subjective evaluation of unquantifiable policy work is valid and useful;

(d) cost/impact analysis - identifying "extra" exports - should be pursued in commercial work and defence sales;

(e) performance indicators should be used more widely in commercial, consular, entry clearance and administrative casework;

(f) feedback between overseas posts and Whitehall should be improved;

(g) cost-consciousness should be raised. Sampling will help monitor the pattern, time and costs of work while limiting the costs of output measurement;

(h) computers will help and ease output measurement. Training in output measurement techniques should be improved.

SCRUTINY ON OUTPUT MEASUREMENT IN THE FOREIGN AND COMMONWEALTH OFFICE AND OVERSEAS POSTS

"A man's reach should exceed his grasp or what's a heaven for?"

(Robert Browning)

CHAPTER I

INTRODUCTION

1. For many years the Foreign and Commonwealth Office has set policy objectives through so-called Country Assessment papers. More recently, as part of the Government's Financial Management Initiative of 1982, FCO departments and overseas posts have defined long and short-term objectives. These and the "Top Management System" since introduced provide the framework for advising Ministers on foreign policy priorities worldwide, for evaluating performance and for allocating resources. The difficulty in setting objectives in the often nebulous and volatile area of foreign policy and the inherent problem of "measuring" or evaluating whether those objectives have been achieved are well recognised. It was with a view to helping the Diplomatic Service in this task that in July 1985 Mr Richard Samuel together with Mr Tesoriere embarked upon a scrutiny of output measurement. Owing to illness Mr Samuel was unable to complete the study. This I have now done. I am indebted to him and to Mr Tesoriere for all the ground work they undertook and to the many people within and outside the FCO and at overseas posts visited by Messrs. Samuel and Tesoriere who have

contributed to the scrutiny. I am particularly grateful to the Cabinet Office Efficiency Unit for their constructive criticism and to my Personal Assistant, Caroline Mann. The names of organisations and people consulted are listed at Annex B. The Trade Union Side has been consulted but has not yet had the opportunity to offer other than preliminary comments.

TERMS OF REFERENCE

2. The full terms of reference for the scrutiny, which is limited to the Diplomatic Wing of the FCO (i.e. it excludes the Overseas Development Administration and aid work overseas) are at Annex A. In essence I was asked to look at existing output measures and to see to what extent they could be improved and applied systematically to the work of the FCO at home and overseas.

FCO WORK AND RESOURCES

3. Before considering the extent to which output measurement might usefully apply to FCO work it may be worth briefly looking at the size, shape and cost of the FCO and its overseas posts. Among government departments the FCO is small, employing at home and abroad some 6,600 UK staff, 1,800 fewer than in 1965. In addition, some 6,800 locally engaged staff - from senior commercial officers and pro-consuls to drivers and cleaners are employed at overseas posts. Excluding expenditure on the ODA and grants to the BBC External Services, British Council and other "outside" bodies, the annual budget for running the Diplomatic Service is around £320 million, less than 0.3% of central government expenditure. Nearly all of it goes on manpower: the FCO has very little programme expenditure. About 3,900 staff work at home,

mainly in the headquarters buildings in Whitehall. 2,700 are stationed overseas at 207 Embassies, High Commissions, Missions to international organisations and Consular posts. 131 posts are manned by six UK based staff or less.

4. Some general comments: following staff reductions in accordance with government policy, Diplomatic Service manpower is stretched tight. If output measurement can lead to better results and better use of resources this will be welcome. If it makes a net increase in workload, it will not. FCO work particularly at overseas posts, varies greatly according to political and economic circumstances and the size of UK interests. It is conducted in greatly varying conditions some congenial, some unpleasant and unsafe. Output measures relevant to mass production are of no value. In terms of numbers and costs most overseas posts are providing a service to UK industry or the public - around 65% of work falls in this category while a relatively small number of people advise on foreign policy-making.

WHAT IS OUTPUT MEASUREMENT: DEFINITIONS?

5. FCO departments and overseas posts have broad policy aims e.g. maintaining the cohesion of the North Atlantic Alliance, which are both an expression of UK national interests and of the purpose for which a department or post exists. They also set long-term and short-term objectives, the latter being a sort of action plan for the next year. I comment in detail on this hierarchy of objectives later.

6. Output (in the FCO) can be the same as an objective, e.g. the conclusion of an agreement with China on nuclear export controls which meets defined UK needs, or advice on policy or a service such as consular assistance undertaken

to meet an objective. Output can often be measured in terms of quantity (e.g. number of visas issued each year). Such figures have more meaning if they are relative, comparing, for example, the number of visas issued a year by a post with the number issued the previous year or by another post or against a target (a performance measure). Performance indicators are a proxy or substitute for output measures and are used when outputs (and this applies to most foreign policy objectives) cannot be fully quantified or where only intermediate objectives can be quantified. They may indicate quality (e.g. accuracy and timeliness). Output measures and performance indicators demonstrate effectiveness - to what extent objectives are achieved; efficiency - a comparison of output with the input (manpower or costs) required to produce it; and economy - whether output (services) can be obtained more cheaply than planned. They can point up other factors, for example, accessibility - whether a consulate adequately serves an area frequented by British tourists.

WHY OUTPUT MEASUREMENT?

7. Output measurement is not a new concept. It has for long been a standard tool of management in the private sector where profit, return on capital, turnover, sales per square metre are all objective, measurable tests of success. It reduces but certainly does not remove the need for subjective judgement in management - in forecasting demand, predicting market forces and in investment decisions. Particularly since the launch of the Financial Management Initiative, output measures, or more commonly performance indicators, have been increasingly employed in the public sector. Quality of service and productivity in the National Health Service - length of queues, response times, throughput of patients, number of surgeons to each operating theatre, etc. are monitored, results evaluated and resources redeployed.

The policy outputs of many government departments - jobs created, new businesses set up, plans approved, tanks produced, grants awarded are similarly quantified and assessed. In general, and as we shall see in the FCO, process work (repetitive clerical tasks), straightforward casework and project work have measurable outputs and inputs and lend themselves readily to this approach whereas policy and advisory work lends itself only with great difficulty, if at all.

8. In a government department a system of objectives, performance indicators and policy evaluation is extremely useful at all levels. It helps Ministers and the department to know whether the department is:

(a) tasking itself properly for the purpose for which it was set up and making its contribution to overall government strategy;

(b) achieving its specific objectives;

(c) doing so in the most efficient manner and looking for ways to improve performance;

(d) allocating resources to best effect;

(e) adhering to cost and manpower constraints;

(f) explaining and accounting for itself adequately to Ministers, Parliament and the public;

9. Two misconceptions need to be dispelled. While output measurement can say much about value for money and comes under the aegis of the Financial Management Initiative, its main purpose, and particularly in the FCO, is as an additional tool to improve the quality of management at all levels. It is not an annual ritual

inspired by the Administration but a modest tool to be used by all members of the Service in their daily work. Secondly, output measurement is not management by numbers or a substitute for the subjective judgements which policy makers who are also managers are called upon and are uniquely qualified to make. It informs decision making by widening the objective basis for judgement.

CAN OUTPUT MEASUREMENT BE USEFULLY EMPLOYED IN THE FCO AND AT OVERSEAS POSTS?

10. The FCO takes justifiable pride in the rigour of its inspection system which has always been more comprehensive and searching than mere staff complementing even though control of manpower, the FCO's main, almost sole resource, is a principal regulator. In between inspections managers employ Self-Inspection Questionnaires to review their systems, procedures and resources. As an aid to inspections and as a means of monitoring progress functional departments of the FCO - Trade Relations and Exports, Information, Consular, Migration and Visa, Library and Records Departments etc.) together with Administration Departments call for periodic returns from overseas posts and other FCO departments. These returns show, for example, the number of British and foreign business visitors calling on overseas posts, the number of visits paid by commercial officers to local firms, the number of agents and distributors found for UK companies; the number and nature of serious Consular cases; the number and type of entry clearances granted; the number of articles publicising British products and techniques placed in foreign journals; the number of telegrams received by overseas posts and a mass of information on internal expenditure. Output measurement thus already plays a prominent part in managing FCO business.

11. A first look across the broad spectrum of Diplomatic

Service work suggests that some areas lend themselves readily to output measurement, some with difficulty and others scarcely at all in a strictly quantifiable sense. At one end of the spectrum typing, pay, accounts, issuing of visas, registration of papers and similar tasks can be and are all counted. While there are other factors to assess, norms can be set, productivity measured and more or less staff deployed as necessary. Error rates and other quality controls can be introduced too. Chapters VI and VII look briefly at these and other administrative jobs.

12. In the middle are important services to government, business and the public - export promotion, consular assistance, long-term entry clearance and information work. Chapters III-VI analyse this work in some detail. Most of it is casework and demand led: more does not equal better. Outputs, or rather their benefits are difficult to quantify, for example company profits and extra exports which are specifically attributable to advice given by commercial staff; the satisfaction of a British citizen who, robbed of her passport and money on the Costa del Sol, is helped to complete her holiday; the frustration of a foreign businessman who fails to get a visa in time to visit the UK; an editorial in a foreign newspaper sympathetic to British Government policy which might derive from material put out by an Information Officer overseas.

13. At the other end of the spectrum is policy work, much of it "political" work carried out mainly by geographical and functional departments in the FCO and Chanceries and to a smaller extent other sections in overseas post. The range is wide: European Community business - assisting Whitehall departments to get the best deal possible in Brussels; defence and arms control - negotiating with the Soviet Union; bilateral diplomacy over a spread of security, territorial, economic, aid,

technological, cultural and other issues; UN affairs etc. I saw it as my main task to analyse this work and to see whether, unquantifiable though most of its outputs appeared to be, some methodology could not be developed to assist in setting more measurable objectives and in evaluating the outcome of policy work. Chapter II is devoted to this. Prima facie the same or greater problems are evident in attempting to measure the outputs of advisory work - by Legal, Economic and technical advisers and Research Department who are tasked by and serve Ministers and line departments. Chapter VIII concerns the work of specialist advisers. Some areas of FCO work, e.g. cultural and claims, I have not been able to study. General principles on policy and casework outlined in this report will apply.

14. Having taken an initial look at existing output measures, I have three preliminary observations, which are pursued further in this report. First, much of the information collected is about activity rather than results. Secondly, it does not always reflect resource costs (time and money). Thus we know how many UK store promotions and outward missions of British businessmen happened in France last year, but we do not know what additional exports resulted or how much time and cost the Commercial Section in Paris expended on them. Thirdly, objectives set by departments and overseas posts often lack precision.

CHAPTER II

POLICY WORK

15. Policy work - advising Ministers on the making and carrying out of foreign policy - is done by some 20 geographical departments, each responsible for bilateral relations with one or a group of countries, and some 15 functional departments which deal with multilateral issues such as economic relations, trade and exports, the European Community, defence, arms control, the Commonwealth, cultural and consular affairs etc. Other departments, for example, those of the Administration are concerned with policy-making too, but are largely supportive of "line departments". Departments are supervised by Assistant Under-Secretaries who report through Deputy Under-Secretaries and the Permanent Under-Secretary to Ministers. Overseas, Chanceries (the 'political' section of an embassy), Commercial, Information, Consular and other sections make an input to policy by reporting and advising on action, and they carry out policy. The customary process of problem solving - gathering information, analysing, developing and costing options, deciding, implementing, evaluating results, applies just as much in the FCO as in other organisations. Work takes the form of preparing policy papers (submissions), advice, briefs for Ministers and senior officials in their dealings with foreign governments; instructions, advice, requests by telegram or letter to overseas posts; meetings, correspondence with FCO and other government departments, outside bodies, private individuals; draft speeches and answers to Parliamentary Questions and MP's letters; dealings with foreign embassies in London; press guidance etc. A geographical department's work content will range over defence, constitutional, economic, technological, commercial, cultural, aid, environmental, consular issues reflecting the broad spectrum of modern intergovernmental business.

Analysis of FCO Policy Work

16. Distinguishing features of FCO policy work are that much of it is one-off - problems come up in new form or circumstances calling for custom-made responses; it is volatile, calling for quick response times; it is often reactive, undermining well-laid plans; it is multilateral, calling for complex balances and trade offs; it may be preventive - frustrating terrorism, forestalling hostile propaganda; the information base on which decisions are taken is rarely solid, complete and quantified; decisions have a greater element of subjectivity and depend more on analysis of motive.

17. Other, similar features are particularly relevant to, and pose intractable problems for output measurement. Policy work is often and largely:

unmeasurable and unquantifiable in its outputs (and virtually no programme expenditure is involved);

unpredictable and hence events are not always controllable: objectives frequently change;

inextricable: objectives are often contributions to wider national objectives, or objectives of other government departments or industry.

demand related: the volume and tempo of work fluctuate greatly.

18. While serving the twin overall aims of promoting greater security and prosperity, UK foreign policy objectives are as wide in scope as they are often unquantifiable in nature. For example, UK Western hemisphere objectives might include helping to ensure that the United States considers the freedom and prosperity of Western Europe to be of continuing importance; encouraging the Canadian government to support UK positions on the Falklands and Northern Ireland, helping Venezuela to be a

stable, democratic and pro-Western country; encouraging Chile to improve its human rights record; urging more governments to sign the Non-Proliferation Treaty. All these objectives have a value, more perceptible perhaps if events turn against UK interests, but not a wholly quantifiable value, if quantifiable at all. It might prove possible to measure the consequences of failing to achieve an objective, for example, the loss of a stable market for UK exports if political problems supervene or the financial savings if an East-West forces reduction agreement were to permit the disbanding or redeployment of a British battalion in West Germany, but the measurable parts usually fall well short of the whole.

Departments' Outputs

19. What would be the geographical departments' contribution to the achievement of these objectives, i.e. their outputs? It might take the form of a brief for FCO Ministers' talks with the Canadian government about a UN resolution on the Falklands or advice on how best to handle discussions with the Chilean Foreign Minister on the vexed issue of human rights. Each exchange would have a specific objective but an unquantified one, just as no measure could be put on the value of the brief. The department might contribute in a way which solely or largely determines the achievement of an objective. For example, the FCO's role in the resolution of colonial problems such Rhodesia and Hong Kong was crucial. More often it is but a contribution to attaining an objective in which other government departments or industry play the greater part, e.g. advising on the political and tactical aspects of bidding for a nuclear power station contract overseas. The department's output is the "value added" it imparts to the project; and it can be held responsible or accountable only for this, the value of its contribution not for the achievement of the overall objective which lies beyond its power.

20. In the absence of quantifiable objectives and outputs how can an FCO department or Chancery overseas know to what extent it is achieving it objectives, whether its performance is as good as it it should be and whether it is deploying its resources to best effect? Perhaps it would be as well to discount three possibilities which I believe do not themselves offer a complete answer. The first would be to count what is countable, e.g. the number of telegrams received and issued, numbers of PQ, MPs' letters, briefs etc. Such a count, best done on a sampling basis of which more later, is useful as a crude indicator of workload if, and only if, like is compared with like, i.e. the same Department's product over several years or a comparison between two departments with very similar tasks. Such a method, useful to Inspectors, however, gives no reliable guide to effectiveness and results. More paper does not always mean better results. Secondly, the hours spent on specific tasks can be costed and hence a value placed on advice given, just as a solicitor charges clients. Once again the method has its uses in showing how the FCO deploys its resources, but it is essentially a measure of input rather than output.

21. Thirdly, it can be argued that the only true measure of an FCO department's output is the degree of customer satisfaction, i.e. whether it meets the needs of Ministers and others served by the department. It would be possible to record the proportion of policy recommendations approved or rejected by Ministers together with an assessment of soundness, relevance, timeliness, etc. As I see it, Ministers' satisfaction is a necessary measure of a department's or Chancery's performance, but probably not a sufficient one. It would not in itself reflect whether objectives had been achieved and whether the department's contribution to those objectives was effective as it should be or say much about quantity and efficiency.

Setting Objectives and Priorities

22. Faute de mieux the right approach would seem to lie in a more methodical approach to the setting of objectives coupled with a more systematic, subjective evaluation of results and of performance in pursuit of objectives. Foreign policy aims enshrined in County Assessment Papers and long-term objectives, which I envisage being one and the same and amended only every three or four years are necessarily general and largely unquantifiable. Short-term objectives, to be achieved over the coming year, should be specific and quantified, where possible. For example, the conclusion of an agreement with China on nuclear export controls on specified terms, a satisfactory result in terms of votes on a UN General Assembly resolution, the achievement on specified and satisfactory terms of an EC fisheries regime, a major arms sales contract or a commercial contract using aid funds - all could be expressed in discrete terms. As a guide and spur it might be useful to specify steps or "milestones" on the way towards objectives, e.g. convene a meeting of German, Italian and Spanish Defence Ministers to agree a share of work on an advanced fighter aircraft; and deadlines - (e.g. by 31 October) should be used wherever possible.

23. Short-term objectives should be put in priority order by categories. I am recommending more generally that Categories A, B and C would signify respectively A=essential: must be pursued at the cost of all other activities; B=highly desirable, to be pursued if at all possible; C= desirable, to be pursued, other commitments and resources permitting. Priorities, if they are to be useful should cut across country and functional divisions, e.g. in Western European Department's list of objectives, a political objective in Italy might rank higher than a commercial objective in France.

24. Depending upon the number of countries handled by the department a dozen short-term objectives should be the

limit. To add more would complicate and descend into too great detail. There is, moreover, another reason: to allow room for the unforeseen. A main obstacle and objection to setting objectives and to the general concept of planning in the FCO is that painful experience has shown that a department may spend the bulk of its time doing things which it had not predicted and could not predict. (Nuclear Energy Department would have been more prescient than the Soviet Politburo had it foreseen that a large part of 1986 would be taken up with the international ramifications of the Chernobyl disaster.) Such responsive, unpredictable tasks should be within or consistent with departmental aims and long-term objectives, if adequately drafted, or why else do them, but they may well be a digression from listed, short-term objectives. In practice they should become an addition to or replacement for stated commitments. If, as I conceive it, the setting of objectives is not an annual ritual but a continuous guide to business, to be discussed at monthly or weekly departmental meetings, objectives will clearly have to be amended and added to as the year progresses. Their value is in prompting a conscious decision to dump low-priority tasks when higher demands supervene and as a guide to what remains to be done when crises have subsided. Such a decision may well need the approval of Ministers or senior officials who should certainly be informed. At the end of this Chapter, I have ventured a list of departmental objectives. It is no more than illustrative and goes little beyond what some departments are already doing. As recommended in Chapter IX, I believe that Assistant Under-Secretaries should formulate regional and functional objectives consistent with overall FCO objectives and those developed by Departments and overseas posts.

Policy Evaluation

25. Specific, quantified and time-related objectives provide a better basis for policy evaluation. The latter,

like the review and revision of objectives, should be a continuous process, but once a year departments should make a formal evaluation of results and performance. In essence a department should ask itself (reporting to its Under-Secretary) to what extent listed objectives have been achieved and if not why not, whether the department's contribution to wider objectives, for which it cannot be solely accountable, was as full and effective as it should have been and whether its activities in pursuit of objectives - rendering advice, dealing with public and Parliamentary angles, etc. were as sound, original, accurate and timely as they should have been. To concentrate the mind, I suggest that departments should award themselves a percentage mark for the achievement of each objective and a further percentage mark for their performance in pursuit of it. At the end of this chapter is a checklist of questions which I suggest departments should bear in mind when evaluating results. From time to time a major policy evaluation will be justified. As an example of this, Annex D contains a preliminary evaluation, needing further refinement, made by South East Asian Department of a programme to assist Indo-Chinese refugees in Thailand.

26. In conclusion I would say that it does not matter over much that the objectives and output of FCO policy work cannot for the most part be "measured". Usually it is easy to know whether or not an objective has been achieved and a hard look will say much about performance. Subjective evaluation is a valid, respectable and essential tool of management. It can be much improved by framing good objectives and by being searching and methodical in evaluating results and performance.

POLICY WORK AT OVERSEAS POSTS

27. Much of the above can usefully be followed by Chanceries and other sections in overseas posts concerned

with policy work. Their objectives - an illustrative list is again attached - might also include tasks such as examining or improving the posts' knowledge of a particular problem, e.g. the influence of an ethnic minority, or ensuring adequate and timely reporting on a problem which, although arguably an activity rather than an aim, is a legitimate objective for a post. Posts' objectives could usefully include performance indicators, e.g. to show the proportion of 'leading personalities' contacted during the year. Above all, overseas posts' objectives must be consistent with departmental objectives. Departments should annually review posts' objectives and agree them. While it is probably convenient for Chanceries and other sections of an Embassy each to keep separate lists of objectives, the Head of Post should ensure that the objectives for which he is responsible are ranked loosely in priority order overall, by categories A-C.

Feedback

28. In my conclusions (Chapter X) I have commented generally on the need for better and more frequent feedback between overseas posts and the FCO. Too often posts are imprecisely tasked giving emphasis to issues in which the FCO is less or no longer interested or failing to cover adequately new concerns. To test the extent of this problem and assess whether there is value in doing more about it, I recommend that on an experimental basis the telegrams, teleletters and letters from a batch of overseas posts be rated for importance and usefulness. It would be wasteful of resources and break down under its own weight if all reports from all posts were evaluated. Moreover, any evaluation system has its drawbacks. Who should appraise reports when the main beneficiary is not always the relevant geographical department? A report's value may vary over time: a report of seemingly marginal worth may turn out to be vital early warning of an impending crisis. Despite such limitations I recommend an

experimental scheme. Three geographical departments might each evaluate the output of say, three roughly comparable posts, rating in the case of big posts one telegram in ten (each one with a number ending in 0) and of small posts one in five. A similar evaluation should be made of teleletters and letters. I suggest a simple scale:

important	3	action taken on it	3
useful	2	used in briefing or as background	2
unimportant	1	not used	1

29. It would probably be advisable to rate incoming papers about two weeks after receipt. The two marks should be multiplied together giving a maximum score of 9 for each report. At the end of say, two months, or after 100 reports the scores could be converted to a percentage and evaluated. A low score overall would suggest that the department should discuss with the post whether it was being tasked adequately, whether the problem was of quality or quantity (some Ambassadors are more prolific than others) and whether it had the right resources. Such a rating system is not a new idea and I am sure different and probably better methods could be devised. My belief is that something of this kind should be given a fair trial. It should be kept simple and employ sampling.

Summary of Recommendations

30. To sum up my recommendations on policy work: Heads of all Departments and Heads of Chancery and heads of other sections in overseas posts concerned with policy work should draw up (not more than 12), short-term, specific, where possible quantified, time-related objectives with progress "milestones", putting them in priority order. They should be regularly reviewed and updated. Once a year, in consultation with supervising Under-Secretaries, results and performance should be

formally evaluated against objectives (see checklist of questions) and new objectives set. Overseas posts' objectives should be agreed with departments and Under Secretaries. Feedback between posts and departments should be improved where necessary and a sample of incoming reports rated on an experimental basis.

ANNEX TO CHAPTER II

SOUTHERN DEPARTMENT OBJECTIVES: 1986

Short-Term Objectives

Priority	Objective
A	1. To encourage Southland to settle its border dispute with Midland and withdraw support for guerillas without involving UK in the dispute. Urge International Red Cross to visit area. Visit by FCO Minister in June.
A	2. To persuade Eastland to accept British nuclear capable ships. Promote visit to Eastland by CNS.
A	3. To improve cooperation with Midland in combatting illegal drugs trade by obtaining acceptance of 2 UK Drugs Liaison Officers. Assist Home Office in gaining funds for £½m customs training programme.
A	4. To assist DTI and industry in its efforts to increase UK exports to Norland to £500m.p.a. FCO Minister to address London Chamber of Commerce Delegation, January.
A	5. To persuade Southland to improve its human rights record by releasing 35 remaining political prisoners.

Renew offer of £100m credit line contingent on progress.

B 6. To encourage Midland government to take a more understanding public line on Northern Ireland. Invite Parliamentary delegation to visit Belfast in June.

B 7. To persuade Southland to sign the Non- Proliferation Treaty. Visit to Norland by FCO Minister in June.

C 8. To assist MOD in concluding £300 m. arms sale agreement with Eastland. Invite Eastland CDS to visit Sandhurst in March.

C 9. To conclude claims agreement with Eastland by 31 October on basis of 20p in £1 or better. Submit final claims list by 31 March.

C 10. To conclude technology agreement with Midland, identify areas for mutual cooperation to include visits by UK machine-tool delegation and Midland computer software experts. Draft agreement by 31 July.

Footnote

Each short-term objective is followed by the action or means to be adopted, or "milestone".

BRITISH EMBASSY, SOUTHLAND
CHANCERY/POLITICAL OBJECTIVES

Long-Term Objectives (as in Country Assessment Paper)

1. To keep Southland non-aligned but sympathetic to the West as a force for regional stability.

2. To protect UK investments and promote UK exports.

3. To maintain and, where possible, increase UK influence by widening contacts with Southland Government and Parliament.

4. To report fully, accurately and in a timely manner on issues relevant to UK interests, particularly the border dispute and human rights.

Short-Term Objectives

Priority	Objective
A	Southland's border dispute with Midland: advise FCO by 31 March on elements of humanitarian aid package; look for evidence of alleged use of chemical weapons.
A	2. To persuade, together with EC Embassies, the Southland Government to release remaining 31 political prisoners: lobby Foreign and Finance Ministries about conditional line of credit; report fully on individual cases (without getting involved).
A	3. To ensure continued Southland abstention on UN General Assembly resolution on Falklands: lobby

Foreign and Defence Ministries, Parliamentary Select Committee.

B 4. To exercise greater influence on Southland Parliament and widen contacts with Opposition: invite Parliamentary delegation to visit UK in October; invitation to Speaker by 31 March.

B 5. To discourage the Southland Government from taking an extreme position on sanctions against Eastland: FCO Minister's visit in June; lobby President of Confederation of Southland Industries.

B 6. To improve prospects for defence sales by increasing cultivation of Southland armed forces. Propose visit by UK CGS in July.

B 7. To persuade the Southland Government to sign the Non-Proliferation Treaty: FCO Minister's visit in June; invite Head of Norland Energy Institute to visit UK as Category I Sponsored Visitor.

B 8. To promote greater understanding for UK and European ideals and policy by broadening contacts with Eastland intellectuals and explore prospects for Anglo-Southland Round Table. British Council exhibition of 20th Century UK art in October.

C 9. To maximise results of Chancery local travel programme. Priority: widen contacts with Burbat minority; visits to Burbat in March and October.

C 10. To revise list of Leading Personalities by 31 March and analyse contacts with leading personalities last year, cf. local travel programme.

C 11. To improve Chancery's linguistic skills. All members to have reached Intermediate level this year.

POLICY WORK: CHECKLIST OF QUESTIONS FOR POLICY AND PERFORMANCE EVALUATION

1. Was the choice of ultimate objective (policy) right and worthy of achievement?

2. Was the ultimate objective fully, over or underachieved in terms of quality, quantity and time?

3 . Was the Department's planned contribution the best way it could contribute to the achievement of the ultimate objective, or were there other, better or cheaper means?

4. Was the Department's contribution ("value added") over, under, fulfilled in terms of quality (soundness, originality, accuracy, relevance), quantity and time?

5. Did the Department's contribution have a greater or lesser impact than planned on the achievement of the ultimate objective?

6. How does the Department know whether the ultimate objective was achieved and whether its own contribution was as planned in terms of objective indicators and subjective evidence (bouquets/brickbats)?

7. Was the Department's contribution made at the expense of failing to achieve other, higher priority or more valuable objectives?

8. If the Department failed in part or whole to make its planned contribution, was it for internal reasons (insufficient or maldeployment of resources) or external reasons? If the latter, should they have been predicted and prevented?

9. Was the right quantity, quality and mix of resources employed? Did manpower and money exceed or fall short of planned deployment?

10. Should the objective have been achieved or contribution made with less resources or should the resources deployed have achieved more?

Footnote (a) The ultimate objective may be one exclusively for the Department or, more often, one to whose achievement the Department makes a contribution.

(b) Questions 1 and 2, which relate to ultimate objectives, are concerned primarily with policy evaluation. The remaining questions are about performance evaluation.

CHAPTER III

COMMERCIAL WORK

31. Commercial work has for long been a prime task of the Diplomatic Service both at home and overseas. Some 30% (the largest proportion) of operational or "teeth" staff at overseas posts are engaged on it. Commercial work is also a significant concern of the geographical departments in the FCO and particularly of Trade Relations and Exports Department, which has the central management function within the FCO. TRED participates with the Department of Trade and Industry (the Whitehall department responsible for commercial policy) in formulating export promotion policy. It transmits instructions and guidelines to overseas posts and assists the Inspectors and Personnel Departments in allocating commercial staff. For these purposes the department collates "operational data" on the activities of posts. Commercial Departments overseas (and Heads of Mission) undertake economic reporting, advise on commercial policy and protection, and, where appropriate, promote inward investment to the UK. However the main effort (86%) is directed towards export promotion. Much of the work (some 78%) is demand related, responding to requests direct from British firms, public authorities and government departments or through the DTI. The balance is self initiated-"initiative" work: commercial officers visit local firms to pick up useful information or learn of export opportunities which they pass to British industry. The table below shows the scale and pattern of commercial work overseas.

	1983	1984	1985
No. of British business visitors using FCO's services	78,685	79,703	82,652
- per man year	131	137	145
No. of firms taking part in outward missions	6,739	7,183	6,912
No. of market information enquiries	60,999	58,703	60,512
No. of trade fairs sponsored	398	399	364
No. of EIS notices	33,419	36,902	35,174
No. of initiative visits by commercial officers	39,550	37,754	34,484
- per man year	66	65	60
UK-based & locally-engaged staff engaged on commercial work*	599	583	570

* excluding support staff and including staff engaged on inward investment

32. It is not my job to assess the effectiveness of export promotion work but to help provide a better or additional means by which the FCO and overseas posts can manage and evaluate it. I should not, however, pass on without mentioning that there is a great deal of anecdotal evidence from British firms, trade associations, Chambers of Commerce, CBI etc. as well as from Parliamentary Committees which suggests that the job is well done and is managed well by the DTI and TRED. The problem is to judge how well and whether it could be done better when there is usually no observable correlation at aggregate level between changes in the UK's share of an overseas market and the efforts of Commercial Departments.

33. The ultimate objective of commercial work is an increment in UK Gross National Product through increased exports and also through increased foreign investment and import substitution. In turn, the output of the DTI and Commercial Departments will be their contribution by way of information, advice and help to achieving additional exports or additional profits for firms active in or entering a market, and greater inward investment.

34. Once again the main difficulty is in quantifying outputs, i.e. "additionality". What the DTI and FCO would like to know is what each £1 spent on export promotion work in each overseas market generates by way of additional exports. A start has been made. The DTI, with TRED, recently completed a cost/impact study of several major BOTB services (the Trade Fair Support Programme, the Outward Missions Programme, the Export Marketing Research Scheme, the Market Entry Guarantee Scheme and the Technical Help to Exporters) together with two main services which draw heavily on the expertise of overseas posts (the Export Intelligence Service and the Market Prospects Service and Export Representative Service). The costs of these services incurred by the DTI, Regional Offices, Divisions of the DTI and overseas posts were

calculated and a sample of participating British firms were asked about additional export business deriving from them. The overall conclusion was that each £1 spent by the Government could be associated with £50 of new export business, a total of £2 billion a year. (A previous study by consultants had concluded that the Export Intelligence Service generated export orders worth some £1,085 million per annum.) It is generally accepted that the margin of error in this kind of survey is wide. Technical difficulties in extracting costs are considerable. Even greater are the problems in estimating extra business attained, particularly in quantifying what business would have resulted in the absence of BOTB promotional activities. As was recognised by the DTI, there are other limitations: first, the exercise was conducted on a global basis and did not analyse additional exports by country; secondly it was not a comprehensive test of the effectiveness of Diplomatic posts overseas as these BOTB services accounted for only some 25% of the total work of commercial departments; thirdly it was a study of past performance and not of market potential.

35. I was pleased to learn that the DTI are already widening the scope of the study to include other BOTB services, e.g. store promotions. Time, cost and technical difficulties impede what I believe to be the most useful tool - cost/impact analysis market by market. Ideally, such an analysis might show that against a global ratio of 1:50 for all or some BOTB services, £1 spent could be associated with £30 of additional exports to, say, Turkey and £70 to the Netherlands. Knowledge of such a gearing would encourage exporters to use BOTB services and discourage critics; and it would motivate DTI staff and commercial departments frustrated at never knowing the fruits of their labours. It would be helpful in deciding how to deploy effort and staff, although other factors have also to be weighed.

36. I am sure that the DTI and FCO are right to persevere with cost/impact analysis, although it is expensive and, just like the services analysed, such studies must themselves be cost effective. One problem is that Regional Offices and DTI functional divisions would have to try to identify to which market their advice or help to British firms was addressed. If it is too difficult to analyse costs retrospectively, perhaps records could be kept on a forward basis, using sampling techniques. Another problem is that unless the analysis delves deeper into business behaviour, benefits cannot be assessed with much confidence. Independent consultants, familiar with business methods, might usefully examine by random sample "additionality" of exports and profits from current users of BOTB services, from past users in order to evaluate longer term effects, and also the business of non-users. I recommend that the FCO and DTI press on with cost/impact analysis with a view to enlarging the objective basis for decision making, recognising that judgements on market prospects, provision of services and deployment of staff will unavoidably be subjective, and that other important factors such as demand from businessmen, particularly in difficult markets, the need to take a long view of some markets, exchange rate fluctuations, etc. must also be weighed. I recommend also that overseas posts, in consultation with the DTI and TRED, increase their feedback from British firms on the outcome of missions, promotions etc, (relating benefits to costs) where these ventures are not analysed in larger DTI exercises.

37. According to a recent FCO survey, much (47%) of commercial departments' work overseas consists not of providing the BOTB services described above but of responding to ad hoc requests for advice from British firms, British business visitors and local businessmen. Undoubtedly this leads to additional exports, but businessmen would be hard put to identify just how much extra business was derived directly and exclusively from a

particular tip or piece of information. For that matter, negative advice - not to explore an unpromising market can be just as valuable. At present I see no obvious way around this problem. Charging for advice is one test and charges are currently levied for a range of BOTB services, e.g. EIS notice subscriptions. If a charge were made for advice to the point that the fee exceeded anticipated extra profit and demand fell away, it would provide an index of the value of the information. This approach has attractions but is contrary to current philosophy that basic advice and information to businessmen calling at posts should be free of charge. It bristles with other difficulties. Would a fee deter newcomers to the market? What should be charged for political advice? Businessmen often give Commercial Departments much useful information. I suspect that the trend is nonetheless towards widening the scope of fee paying services be it by way of a consultation fee or subscription based on turnover with preferential rates for newcomers in difficult markets.

38. Unless and until cost/impact analysis by market bears fruit, overseas posts will have to be tasked and to evaluate performance mainly by other means. The framework for this will be the annual Market Assessments Programme run jointly by the DTI and FCO the aim of which is to set out the main features of individual markets and the government's approach to export promotion in each of them, to review the level of resources including commercial staff overseas and to redeploy as necessary. Consistent with the Market Assessments Programme and in consultation with the DTI and FCO, commercial departments should set their <u>objectives</u> and priorities for the year having evaluated their previous year's performance. Objectives should be as specific, time-related and measurable as possible providing a clear guide to progress and a solid basis for evaluation. They should include the principal tasks of the year such as store promotions, inward and outward missions. Where possible, targets should be set

for additional exports to be gained by these measures and failing that, targets set for the number and type of local firms involved. "Milestones" to plot progress could also usefully be set. While major objectives agreed with London are fixed annually and results evaluated at the same time, posts should assess performance and amend and add to objectives at frequent intervals throughout the year using them as a tool of management to guide and motivate staff. As an illustration (and no more than that) I have drawn up a set of objectives for a post in a developed market. I recommend that overseas posts examine their commercial objectives and try to develop them in the way suggested above.

39. The most valuable performance indicators of commercial work would be those, unhappily not available, which measured effectiveness derived from cost/impact analysis by market and by BOTB service. Performance indicators based on intermediate objectives also have their place. For example, if the proportion of agents found compared with EIS enquiries received exceeds say, 60% (previous year's figure), conclusions can be drawn about the state of the market and commercial staff's performance. The speed with which ERS and other enquiries are processed, e.g. aim to complete 90% of enquiries within 5 weeks, is a measure of efficiency. It may be helpful to link the number of EIS notices issued to the number of Commercial Officers' visits to local firms, e.g. aiming at a strike rate of one EIS notice per visit. Dangers lurk here. If too much emphasis is given to numerical indicators it may encourage or compel staff to produce EIS notices which they know are likely to be fruitless in an effort to justify their own productivity. I have listed in the annex and incorporated in the model objectives a variety of possible indicators. I recommend that they be used sparingly. They are an additional aid to and not a substitute for judgement in management. Heads of Commercial Departments in State controlled and

similar markets must devise their own indicators based primarily on feedback from British firms. I recommend that it should be standard practice for commercial departments when doing a major market survey or suggesting agents to ask British firms to let the post know what additional business results. While performance indicators should be set by and reflect the peculiar market conditions of each post, TRED and DTI should ensure a degree of consistency so that they can themselves draw useful inferences from them.

40. Overseas posts send TRED commercial work statistics, which are collated by computer, under more than 40 headings. They show the number of visitors, interviews, telephone calls, missions, EIS notices etc. While this information has its use, it is deficient in that it cannot show effectiveness in terms of additional exports/profits generated and it is of limited value in resource allocation as it does not show time spent on each commercial activity. Cost/impact analysis and feedback will help determine effectiveness. Sampling can reveal how time and resources are spent both to assist resource allocation and allow managers to monitor progress. It is not necessary to ask that worksheets be kept by all commercial staff at all times. Once an initial and wide-ranging survey has been made to establish the pattern of work and assumptions have been verified, it may suffice to monitor work but one day a month throughout the year. For small posts with irregular "lumpy" demands, sampling might have to be a little more frequent. I recommend that, as necessary, professional help e.g. from the Government Statisticians be sought in devising a means of sampling time and costs of commercial work overseas. I also recommend that TRED and DTI review the need for current commercial work statistics and prune the list heavily.

41. Most of the above recommendations - amendment of

objectives, use of performance indicators, monitoring of time and activity by sampling lend themselves to computers and could form part of a standard package for commercial departments overseas. I recommend that Information Technology give this priority.

COMMERCIAL DEPARTMENT OBJECTIVES FOR 1986

LONG TERM OBJECTIVES		SHORT TERM OBJECTIVES: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
1. Help achieve a 3% p.a. growth in British exports and a 0.1% p.a. increase in market share.	A	1. DTI Minister's Visit: arrange optimum programme for visit of DTI Minister in September to include meetings with local Trade Minister, Chairman of the Central Bank, Director of Chamber of Commerce, 150 leading importers, 30 UK subsidiaries. Programme to be completed by 31 July. Conclusion of preparatory talks on export credit limits with Trade Ministry by 1 September.
2. Provide an increasingly effective, efficient and economic service to British exporters.	C	2. Official Calls: call on Heads of Department in Trade Ministry, Director of Federation of Industry and President of Importers' Association at least twice a year.
	B	3. Market Analysis: complete analysis of machine tool sector by 31 March; medical equipment sector by 31 July and knitwear market by 31 December.
3. Help achieve a 3% p.a. growth in inward investment in the UK.	A	4. Inward Missions: arrange mission of 6 leading department store fashion buyers to Britain in September. Invitations to issue by 31 March. Arrange mission of chief municipal engineers in November. Invitations to issue by 31 May. Select 3 sectors for inward missions next year - by 30 June.
	A	5. Outward Missions: agree objectives, names of local firms to be visited and attend Embassy receiptions 6 months in advance of planned missions by Birmingham Chamber of Commerce in July, British Toy Manufacturers Association in September and Scientific Instruments Manufacturers Association in December. Advise on selection of outward mission for next year - by 30 September.

FW4AAC

LONG TERM OBJECTIVES		SHORT TERM OBJECTIVES: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
	A	6. British Trade Week 7-14 December: assist in further planning and organisation. Names of UK participants to be agreed by 31 March. Space to be booked at exhibition centre by 30 April.
	B	7. Inward Investment: target, 10 promotions a year; target, visit or interview 90% enquirers within 2 weeks; target, 50% of enquirers to visit the UK within 3 months of interview.
	A	8. Visits Programme: Target of 900 initiative visits, 300 to local firms not visited before, 100 British subsidiaries. Programme to be drawn up by 15 January identifying sectors (e.g. office equipment) and geographic areas (e.g. South East) of concentration.
	A	9. Export Representative Service: target to find agents for 60% of applicants; target to complete 90% of enquiries within 5 weeks.
	A	10. Export Intelligence Service: target to issue 750 EIS notices (10% more than last year) sub-targets for each category of EIS notices; target to issue 90% of EIS notices within 1 week; target to achieve an average of 1 EIS notice per initiative visits; target to improve accuracy and completeness of notices so that no more than 10 are queried by the DTI.
	B	11. Market Information Enquiries: target to acknowledge (or complete) all enquiries within 1 week of receipt and complete 90% of all enquiries within 5 weeks.

FW4AAC

LONG TERM OBJECTIVES		SHORT TERM OBJECTIVES: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
	C	12. Filing System: complete overhaul of filing system and installation of computer system of 30 September.
	C	13. Local Knowledge: increase Department's knowledge of selling methods of German and Swiss pharmaceutical exporters; and of local regulations and practice concerning import of meat products.
	C	14. Training; ensure that all UK Commercial Officers improve knowledge of local language to Intermediate level; 2 Locally Engaged Commercial Officers to attend UK training courses.

FW4AAC

Export Representative Service

Data Collected

No of ERS Enquiries Received
No of Agents Found
No of Commercial Officers at post
Total Time Spent on ERS
Total Cost of ERS

Performance Indicators

Success Rate per Enquiry Compared with Target	= No of Agents Found / No of Enquiries Received	Compared with target %
Success Rate for Each CO	No of Agents Found by Each CO / No of Enquiries Received by Each CO	
Average Success Rate per CO	No of Agents Found / No of COs	Compared with target %
Processing Time Compared with Target (say 90% of Enquiries Completed within 5 weeks)	No. of Enquiries Completed within 5 weeks / No. of Enquiries Received	Compared with Target %
Average Time per Enquiry	Total Time Spent on ERS / No of Enquiries Received	
Average Time per Agent Found	Total Time Spent on ERS / No of Agents Found	Compared with target (1 man/month)
Average Time per CO on ERS	Total Time Spent on ERS / No of Cos	
Average Cost per Enquiry	Total Cost of ERS / No of Enquiries	
Average Cost per Successful Enquiry/Agent Found	Total Cost of ERS / No of Agents Found	

Export Intelligence Service

Data Collected

No of EIS Notices Issued
No of Initiative Visits to Local Firms
No of Commercial Officers
Total Time Spent on EIS
Total Cost of EIS

Performance Indicators

EIS Success Rate of Initiative Visits	No of EIS Notices Issued / No of Initiative Visits	Compared with target (1:1)
Success Rate for Each CO	No of EIS Notices for Each CO / No of Initiative Visits by Each CO	"
Average Time per EIS Notice	Total Time Spent on EIS / No of EIS Notices Issued	
Average Time per CO on EIS	Total Time Spent on EIS / No of Cos	
Processing Time for Issue of EIS Notices compared with Target (90% within 1 week)	No. of EIS Notices Issued within 1 week / No. of EIS Notices Issued	Compared with target
Average Cost per EIS Notice	Total Cost of EIS / No. of EIS Notices Issued	

(Written) Market Information Enquiries

Data Collected

No. of enquiries received (say 1 Jan-30 September)
No. of enquiries completed (" " " ")
No. of enquiries outstanding on 30 September
No. of Commercial Officers
Total Time Spent on enquiries
Total Cost of enquiries

Performance Indicators

(a) Average no. of enquiries completed per month	$\frac{\text{Total enquiries completed}}{\text{No. of months (9)}}$
(b) Length of time (months) needed to clear current backlog	$\frac{\text{No. of enquiries outstanding}}{\text{Average no. of enquiries completed per month}}$
(c) No. of enquiries completed against target (say 90% within 5 weeks)	$\frac{\text{No. of enquiries completed within 5 weeks}}{\text{No. of enquiries received}}$ compared with target
Performance of each Commercial Officer	As for (a), (b) & (c) above
Average Time per Enquiry	$\frac{\text{Total Time spent on Enquiries}}{\text{No. of Enquiries Completed}}$
Average Cost per Enquiry	$\frac{\text{Total Cost of Enquiries}}{\text{No. of Enquiries}}$

Visits to Local Firms

Data Collected

No of Local Importers/Distributors
No of Responsive Visits
No of Initiative Visits
No of Commercial Officers
Total Time Spent on Responsive Visits
Total Time Spent on Initiative Visits
Total Cost of Responsive Visits
Total Cost of Initiative Visits

Performance Indicators

Market Coverage each Year Compared with Target (5%)	$\frac{\text{No of Responsive \& Initiative Visits}}{\text{No of Local Importers/Distributors}}$ Compared with target
Ratio Initiative/ Responsive Visits	$\frac{\text{No of Initiative Visits}}{\text{No of Responsive Visits}}$
Average No of Responsive or Initiative Visits by COs	$\frac{\text{No of Responsive or Initiative Visits}}{\text{No of COs}}$
Comparison with Best Practice	$\frac{\text{No of Responsive or Initiative Visits by each CO}}{\text{No of Responsive or Initiative Visits by the most active CO}}$
No. of Initiative Visits compared with Target (and for each Commercial Officer)	$\frac{\text{No of Initiative Visits}}{\text{Target No of Initiative Visits}}$
Ratio: Time Spent on Responsive and Initiative Visits (including Preparation and reporting)	$\frac{\text{Time Spent on Initiative Visits}}{\text{Time Spent on Responsive Visits}}$
Ratio: Cost of Responsive and Initiative Visits	$\frac{\text{Cost of Initiative Visits}}{\text{Cost of Responsive Visits}}$

CHAPTER IV

INFORMATION WORK

42. At no time was the vital role of information work better demonstrated than during the Falklands crisis when heads of mission overseas, notably the British Ambassador in the United States, appeared repeatedly on television to explain British Government policies. This - gaining understanding of and support for British policies and interests worldwide - is the main purpose of FCO information work at home and overseas. Much effort goes also into supporting the export drive and into promoting more generally British achievements, culture, way of life and the English language. Information objectives are a reflection or projection of UK political, commercial and other objectives.

43. Information work takes several forms and employs several tools:

Activity	Provided by
Radio broadcasts overseas. Taped broadcasts sent to overseas radio stations.	BBC External Services Central Office of Information (COI)
Press, radio, television briefings in the UK (British and London-based foreign correspondents).	Ministers, FCO News Department COI facilities for London-based foreign correspondents.
Press, radio, television briefing overseas.	Visiting Ministers, Heads of Mission, Information Officers in overseas posts, supported by FCO Information Department and COI.

Exhibitions (general, commercial, cultural etc.)	Information, Commercial and Cultural Officers overseas supported by Information Dept., DTI, COI and British Council.
Conferences and seminars at Wilton Park Conference Centre and elsewhere	Wilton Park staff. Information Dept. and COI.
Sponsored visits to the UK by foreign Ministers, officials, leading businessmen, journalists etc.	Chosen by overseas posts, arranged by Information Dept., COI.

44. Total expenditure on information work (excluding the British Council, the cultural arm) is of the order of £132 million a year. The BBC External Services (independent of the FCO in determining programme content, but in reporting news and analysis influential portrayers of British views and attitudes), cost some £110 million a year. Information Department funds the External Services and prescribes the hours and languages of broadcasts. In 1985-86 about 730 hours a week were broadcast in 37 languages to an estimated audience of 120 million. Other FCO information work cost some £20 million in 1985/86. Nearly all of it goes to the COI (the "information workshop") which assists the FCO by arranging sponsored visits and programmes for foreign correspondents, by providing briefing and reference material reflecting UK Government policies for overseas posts and the media as well as vernacular magazines, support for commercial and prestige exhibitions, films etc. Cuts in Diplomatic Service manpower and resources have disproportionately affected information work: there are but a handful of full-time UK Information Officers at overseas posts.

Output Measurement

45. "Selling" government policies is an integral part of diplomacy in which all members of the Diplomatic Service are directly or indirectly engaged. The impact or "ultimate output" on the "customer"-foreign governments, Parliament, press and public at home and abroad - can be observed but measured if at all only approximately through opinion polls and market research. An analytical tree of output measures might look like this:

OUTPUT	OUTPUT MEASURES
INITIAL	No. of BBC hours broadcast No. and length of articles distributed to press No. and area of exhibits No. of sponsored visitors invited to the UK.
	↓
INTERMEDIATE	No. of BBC listeners x hours listened. No. and length of articles placed in foreign press x no. of readers. No. of visitors to exhibitions. No. of sponsored visitors to UK.
	↓
ULTIMATE	No. of foreign government decisions "favourable" to HMG. No. and value of "additional" exports/inward investments. Percentage "favourable" change in public opinion in foreign countries. Percentage "favourable" change in opinion of sponsored visitors to the UK.

46. Starting at the top in this simplistic analysis, the number of hours broadcast, articles distributed, exhibits mounted and visitors invited can be, and largely already are, counted. In turn, the intermediate outputs fed (input) by these initial outputs can also be measured. Considerable resources (£700,000 in 1984/85) are devoted by the BBC External Services to research in gauging the size of audiences in open societies; a careful monitoring of the foreign press together with audited counts of readership give a measure of press coverage of both news and commercial material distributed by Information Officers overseas; exhibitors customarily make estimates of the number of callers at their stands overseas (although the "seriousness" of the enquiry matters more) and Information Department keeps a tally of sponsored visitors. This is to quantify the quantifiable.

47. Measuring the ultimate outputs of information work, however, presents formidable if not impossible problems, for the link between cause and effect is tenuous. We may observe that a foreign government has changed its policy in a way favourable to the UK, for example, has voted for a UN resolution sponsored by Britain, but to what extent have the speeches of British ministers publicised by Information Officers overseas determined that decision? Any evaluation of the results must be subjective and incomplete. Free publicity, a "puff" in the main local trade journal may do wonders for sales of a British product, but will it be possible to disentangle the salutary effect of that puff from the impact of commercial advertising of the product? If opinion polls reveal that public attitudes in another country have moved in a way favourable to the UK, it may in part be due to assiduous cultivation by British Information Officers of foreign journalists whose influential editorials have helped mould opinion, but to what extent when other powerful influences are at work? Or, if the response is poor, is it the policy which is "wrong" or has it been badly "sold"?

Sponsored visitors to the UK may well be impressed by Windsor Castle, the law courts or electronic wizardry and if asked, be quick to respond that their horizons have been widened and perceptions sharpened, but such favourable impressions cannot be easily measured. Yet, in each of these areas, Information, Political and Commercial Officers in overseas missions with good contacts in the field are capable of forming a subjective judgement of the extent to which their efforts and those of the BBC external service have influenced opinion - imprecise and speculative perhaps but nonetheless valid - and the best measure we shall get.

48. With so many million pounds invested in information work management, primarily Information Department, must and commendably does have means of assessing effectiveness, efficiency and economy. The BBC External Services have over the years developed techniques for gauging audience size and response in open societies and compare the ratings with those of competitors such as Voice of America, Radio Moscow, Deutsche Welle etc. Anecdotal evidence from letters shows beyond doubt that the impact of BBC External Services broadcasts to "closed societies" such as the Soviet Union and China, priority targets for such broadcasts, is considerable, but size of audience and influence can only be estimated. Rolling three-year reviews are made by the BBC and Information Department when assessments are discussed, agreed and any necessary changes of priority decided.

49. The considerable flow of COI material - video and radio tapes, articles, photographs, exhibits - commissioned by Information Department and sent to overseas posts for their own and external use is regularly monitored and its impact appraised by the COI and the Department. Annual Information Reviews made by Information Officers submitted to their Head of Post and the Department provide an overall assessment of

objectives, results and changing priorities in each country. Annual Reports on Central Office of Information Services (ARCOIS), give a comprehensive item by item record of each service, provide an objective measure of the proportion of such material used by the local media (usually on a 1-5 scale), and a subjective assessment of its value.

50. Except in some developing countries where it is occasionally published verbatim, most political material is used by foreign media only for background purposes. Feedback from editors gives an indication of value. By contrast, in many countries articles and photographs on industrial, agricultural and commercial subjects are frequently carried by technical journals. Posts monitor numbers thus placed, as far as possible. In some countries, e.g. Switzerland, it has proved possible to put a value, based on commercial rates, on the free advertising obtained. (£1/4m. a year is the calculated value of free advertising in each of several markets.) Posts also monitor the number of commercial enquiries elicited by such articles. A particularly successful venture has been the "New Products" series. COI Regional Offices have invited British firms to provide material on new products and techniques which has been worked up into articles and placed by Information Officers in the local press, free of charge. A survey of response showed that some £15 million of extra business was obtained by British firms in the first year of this venture and £12 million in the second. While I make no specific recommendation, there is a case for (and against) recovering the costs of this service by means of a charge on British industry. The same might apply to publicity in support of commercial exhibitions, although it would be counter-productive to reduce the supply of good stories which reflect on the UK as a whole.

51. By means of ARCOIS and ad hoc reviews COI and Information Department are able to get a feel of whether they obtain value for money at least in terms of specific services if not article by article. The effectiveness and efficiency of the information services provided by COI are currently under scrutiny by Mr Clift and lest I be thought to be prejudicing the outcome I will go no further. More generally, I would comment that while it might prove poor value for money to commission public opinion polls overseas to assess the impact of FCO information work except in rare instances, the results of market research published in many Western countries bears more study than at present by Chanceries, Information Sections and the Department in London. If surveys offer little clue to the determinants of changing attitudes, they can provide an otherwise unobtainable measure of whether local opinion is sympathetic or unsympathetic to UK policies on such central issues as defence, disarmament, sanctions against South Africa etc., which ought to help in identifying targets and priorities for information work overseas. I recommend that the Department exploit such surveys.

52. The sponsored visitors' scheme is widely regarded as one of the best long-term investments of information funds. To spot future leaders and opinion formers in order to bring them to the UK and show them the best we have to offer calls for a good knowledge of the local scene and a shrewd assessment of character and potential. Overseas posts tend to cultivate previous sponsored visitors but not in a very systematic way. Indeed many posts do not have records going back more than 3 years. I recommend that Information Department invite a selection of posts to trace sponsored visitors over the past decade or that a random sample of, say, 100 sponsored visitors from whatever country they hail be traced. Such a survey might identify whether the visitors currently hold positions of power or influence, whether the overseas post has sought to capitalise on the sponsored visit and

whether there has been any discernible return from it. Such a survey might suggest a more systematic follow-up to sponsored visits. (A similar, computer-aided, survey is being made of overseas students whose studies in the UK have been financed by the government.)

53. It is not easy to give an illustrative set of objectives for Information Sections overseas when they must reflect differing political and commercial objectives from country to country. A few suggestions follow, which I recommend should guide Information Sections overseas. The aim must be to frame objectives in such a way that while realistic they present a challenge and that they are sufficiently specific and time-related as to allow results to be assessed.

INFORMATION SECTION OBJECTIVES 1986

LONG TERM OBJECTIVES		SHORT TERM: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
1. Ensure that government, media and public are fully aware of British policies in areas where British national security, political and economic interests are at stake.	A	1. Promote a more sympathetic understanding of British government policies on priority issues: Southern Africa, N. Ireland, arms control, Falklands and Afghanistan.
	A	2. Visit editors and foreign editors of all major newspapers and journals at least twice a year.
2. Provide effective support for the Post's export promotion work and aid work.	B	3. Set up public speaking engagements for Ambassador and staff at [specified] universities, special interest groups.
3. Report in a timely and effective way on local media coverage of issues of concern to the UK.	B	4. Achieve 60% success rate in placing commercial material.
	B	5. Assist Commercial Section in arranging video shows, e.g. of British medical instruments
	B	6. Increase publicity for and circulation of Embassy library films/videos by 20%.
	B	7. Select 3 Category I and 12 Category III sponsored visitors and improve effectiveness by better targetting of provincial figures.

FW1AAO

ANNEX TO CHAPTER IV

LONG TERM OBJECTIVES		SHORT TERM: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
	C	8. Monitor and report regularly on audibility and impact of BBC External Services broadcasts.
	C	9. Increase the Post's knowledge of the local technical press and women's magazines with a view to improving targetting.
	C	10. Reorganise and improve the video/ film library and make target plan for its use.

FW1AAO

CHAPTER V

CONSULAR WORK

54. Consular work is a shop window of the Diplomatic Service and attracts a fair measure of public and Parliamentary attention. With the great increase in overseas travel (the number of British nationals travelling abroad rose from 5.4 million in 1967 to nearly 22 million in 1985), the demand for consular services has risen sharply (as have public expectations) at a time when FCO manpower has fallen. Diplomatic Service staff are thinly spread (120 manyears in mid-1986) over the 129 Embassies and High Commissions and 60 Consulates-General and Consulates overseas and rely greatly on locally engaged staff (486 manyears) to assist with casework.

55. In the FCO, Consular Department advises Ministers on policy and handles the UK end of consular protection casework generally. Nationality and Treaty Department has a similar role with nationality, passport and certain documentary work. The Departments advise the Inspectors and Personnel Departments on the deployment of Consuls overseas. Consuls-General and Consuls assist Chanceries with political and economic reporting and some do mainly or exclusively commercial work outside capitals or combine consular duties with administration. Consular work per se can conveniently be described as documentary or protection/assistance.

56. Documentary work includes such statutory functions as the registering of births and deaths, solemnization and registration of marriages, notarial acts, service of documents and taking evidence and duties under the Merchant Shipping Acts. Non-statutory documentary work includes the issuing of passports as well as visas and entry certificates. (Visa and immigration work is dealt with in Chapter VI).

57. Passport work aside, protecting and assisting UK nationals overseas constitutes the bulk of consular work. Consuls help British subjects in the event of death, illness, arrest, proposed deportation as well as with the relief and repatriation of distressed nationals and with routine requests for certificates of residence etc. required by local authorities. Emergency assistance may also be given to other Commonwealth and European Community citizens in some countries. Other Consular tasks include help in child custody cases, dealing with football hooligans, the transfer of prisoners, electoral registration and contingency planning for emergencies. In all of this consuls have a responsibility for and must maintain close and good relations with the British community. Some of the main categories of consular work are shown in the table below.

	1983	1984	1985
No. of British nationals travelling abroad	21m	22m	21.5m
No. of registrations of births and deaths	12,532	14,192	15,020
No. of British nationals repatriated	653	468	487
No. of British nationals given financial assistance	n/a	1,524	1,653
No. of passports issued	224,097	228,561	245,109
No. of UK based man years employed on consular work	143	133	128

Output Measures

Statutory Document Work

58. The registration of births, deaths, marriages etc. follows a standard form, although owing to local circumstances the amount of time spent on each activity will vary from country to country. Much the same applies to notarial acts, the service of documents and taking evidence. Time spent can be measured and I have recommended at the end of this Chapter one or two simple Performance Indicators, which posts might consider in devising indicators to reflect local conditions. It is probably worth employing these only in Consulates which handle a sufficiently large number of such cases as to provide a solid basis of comparison. Consular Department should monitor results.

Passports

59. Consulates overseas issue, renew and amend passports referring tricky decisions on nationality to Nationality and Treaty Department. At one extreme some 51,600 passports are processed a year by the British High Commission in Canberra while at the other a handful are issued each year in places where there are few British residents or tourists. The most useful Performance Indicators for passport work are timeliness, accuracy and efficiency. Most Consulates issuing large numbers already set their own targets, for example, to issue 90% of passports within one week or two weeks in high season. They need to keep an eye on backlogs so that additional staff can be moved in when necessary. Accuracy can in theory be monitored in terms of passports spoilt, but the proportion is very small and scarcely worth recording. I have suggested in an Annex to this Chapter a few obvious Performance Indicators which I recommend that Consulates issuing large numbers of passports should employ. Targets, set in consultation with Nationality and Treaty Department will necessarily vary according to local

conditions and capabilities but still provide a fixed point at which to aim.

Consular Protection Work

60. The output or value of assistance to British citizens in difficulty overseas cannot readily be measured. The consul advises UK nationals how to obtain assistance where it is available, e.g. from banks, and by virtue of his status under international law and his own experience can provide or invoke local help where it is otherwise not available. The pattern of Consular protection work is difficult to discern for its attraction and challenge lie in its variability. No two cases are identical or take the same length of time. Helping granny to find the passport she has hidden under the mattress, visiting British football hooligans in gaol and assisting a drug smuggler facing the gallows place great demands upon Consuls but not all of the same order of magnitude. Nearly all protection work is responsive. Consuls do not go out looking for business.

61. Consular staff maintain logs (number and description) of all substantive cases. Details of serious cases - death, accident, etc. are sent immediately to Consular Department which arranges for next of kin to be informed. In this way and through constant feedback from posts the Department can feel the pulse of consular work overseas. Last year the Department did an exercise categorising and ranking Consular posts according to volume of work and difficulty, e.g. ease of communications within the country and with the UK, availability of local agencies such as banks and travel bureaux, together with a subjective assessment based on the Department's collective experience of the treatment of British nationals by local authorities. This was a revealing and useful study, but was rightly recognised to have limitations in quantifying the unquantifiable. "Difficulty" is an indicator of time spent on each case, but a subjective evaluation is no

substitute for measuring just how long Consuls spend on each type of protective case work. Understandably, the Department shrank from inflicting a comprehensive survey. The effort involved in asking Consular staff throughout the world to keep a permanent work sheet of all their activities and time spent on each, particularly when they are handling several cases simultaneously, outweighs the usefulness of such a tidal wave of information.

62. However, in managing a business of this size, which it does very well, the Department needs a better system than it has now. In advising the Inspectorate and Top Management on allocating manpower, in detecting trends in casework, in comparing "productivity" from year to year and place to place, the Department needs a record of how time is spent on consular work. It needs one also for determining fees, as fee-bearing services (excluding passports) are meant to be self-sufficient and the cost of other services covered by passport fees. The Department have recognised this and asking a representative selection of consular posts to keep a record of how time is spent over a four week period. A more refined version of this worksheet, identifying consular protection activities by category, is appended to this Chapter and should, I recommend, form the basis for a survey of Consular work. Sampling techniques will ensure that this is not onerous and a distraction from casework. In larger posts it may suffice to sample time spent for only one day a month. It may take a little longer for a representative pattern to emerge at smaller posts. (Perhaps I should add that worksheets are not intended to assess how industriously and how well an individual performs.)

63. Although Consular work is intended to be financially self-supporting a fee specifically related to assistance provided is not charged. Citizens in distress (e.g. prisoners) are often in no position to pay fees and the cost of collection subsequently in the UK might well

exceed revenue. In the absence of a demand related fee, the main criterion of effectiveness must be customer satisfaction - exceptionally difficult to gauge. Those who are assisted tend not to go out of their way to express gratitude while those with apparent grievances make their comments known voluably, often through their MPs. Some grievances are justified, others may stem from exaggerated expectations of what Consuls can offer. Many posts keep a note of bouquets and brickbats which might usefully be recorded in worksheets.

64. I have drawn up an illustrative list of objectives for a consular post. It is not prescriptive or intended to apply to all posts in all aspects. Posts should, I recommend use it as a general guide. I have recommended some targets or standards for prison visits which might serve as performance indicators, but more generally the diverse nature of Consular protection work defies numerical measurement of effectiveness: hence the need for systematic subjective evaluation of results against objectives. A good Consulate will devise objectives to improve its knowledge of the conditions under which UK residents live and try to identify threats to UK nationals be they from muggers, property speculators or hurricanes and take measures to prevent or mitigate damage. Such objectives should also reflect the need to cultivate influential local officials upon whom the Consulate will depend in carrying out its work, particularly in the event of an emergency.

CONSULAR SECTION OBJECTIVES FOR 1986

LONG TERM OBJECTIVES		SHORT TERM OBJECTIVES: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
1. Give prompt and effective advice and assistance to British nationals in distress.	A	1. Visit 90% of British nationals awaiting trial within 3 days.
	A	2. Visit 90% of British nationals under detention at least twice a year.
2. Provide a timely and efficient documentary service.	A	3. Complete 90% of Passport applications within 1 week.
3. Achieve the greatest possible degree of cooperation from local authorities on consular cases and ensure they observe Article 36 of the Vienna Convention on Consular Relations.		4. Ensure that no. of Passports spoilt and no. of issues queried by Passport Office does not exceed 5%.
	A	5. Complete 90% of Statutory Documentary Work within 1 week.
		6. Monitor trends in Consular Protection Work redeploying staff as necessary.
	A	7. Negotiate a satisfactory bilateral agreement on the transfer of sentenced prisoners by 31 October. Put draft to local authorities by 30 April.
	A	8. Report monthly and ad hoc on local drug scene.

FW1AAH

LONG TERM OBJECTIVES		SHORT TERM OBJECTIVES: ANNUAL WORK PLAN FOR 1986
OBJECTIVES	PRIORITY	OBJECTIVES
	B	9. Ensure all regular returns to FCO departments and Registrar-General are accurate and on time.
	B	10. Complete annual review of evacuation plans on time.
	B	11. Repeat advice to British nationals to register with Consulate. Target: 75% of nationals registered.
	C	12. Improve contacts with key local officials, e.g. MFA Consular Dept., Interior Ministry and Police. Contact with Heads of Departments at least quarterly.
	C	13. Training: Improve local language ability of UK consular staff up to Intermediate level. Arrange training in handling documents of UK electors wishing to vote in British elections. Ensure great interchangeability of staff.

FW1AAH

CONSULAR WORK

STATUTORY DOCUMENTARY WORK

registration of births and deaths
solemnization and registration of marriages
notarial acts
service of documents and taking evidence

Output Measures

no. of cases in each category
total time spent on cases in each category
total cost of cases in each category
total cost of fees collected in each category
no. of "bouquets"
no. of "brickbats"
no. of cases queried by FCO and Registrar

Performance Indicators (by Category)

Average Time per case	$\frac{\text{Total Time}}{\text{No. of Cases}}$	
Processing Rate against Target	$\frac{\text{No. of cases completed in 1 week}}{\text{No. of Cases}}$	90%
Quality and Accuracy against Target	$\frac{\text{No. of bouquets; brickbats; queries}}{\text{No. of Cases}}$	5%
Costs/Fees	$\frac{\text{Average cost per case}}{\text{Fee per case}}$	

PASSPORTS

Output Measures

No. of Passports: Issued
Renewed
Amended
Spoilt

Total Time Spent on Passport Work - Issues and Amendments
Total Cost of Passport Work - Issues and Amendments
Total Fees Collected - Issues and Amendments

Performance Indicators

Timeliness against Target (per Consular Officer, if appropriate)	$\frac{\text{No. of Passports (by type) issued within 1 week of receiving complete application}}{\text{No. of Passports Issued}}$ 90%
Timeliness against Target Average Output per Manday	$\frac{\text{No. of Passports (by type) Issued in a week}}{\text{No. of working days (5)}}$
Timeliness: Backlog	$\frac{\text{No. of Passport Applications Awaiting Process on given date}}{\text{Average no. processed monthly}}$
Average Times	$\frac{\text{Total Time: Issues and Amendments}}{\text{No. of Passports Issued and Amended}}$
Unit Costs	$\frac{\text{Total Cost: Issues and Amendments}}{\text{No. of Passports Issued and Amended}}$
Unit Costs/Fees	$\frac{\text{Average Cost: Issues and Amendments}}{\text{Fees: Issues and Amendments}}$

1	2	3	4	5		6	7	8	9	10	11	12	13	14	15	16	17	18
NAME OF CLIENT	REPATRIATION	REQUEST FOR FUNDS	(a) H C RELIEF (b) PENSIONS	(a) Arrest (b) Deportation (c) Prison Visit		(a) DEPORTATION (b) EXPULSION (c) REFUSED ENTRY	DEATH	(a) ACCIDENT (b) ILLNESS	PROTECTION OF MINORS	GENERAL ADVICE - SEE FOOTNOTE	OTHER	(a) COMPLAINT (b) BOUQUET	(a) THEFT (b) MUGGING	VISAS/EC	PASSPORTS	INTERPRETING	FEE NO	TIME TAKEN IN MINUTES
				DRUGS	OTHER													

FOOTNOTE COLUMN

A Settlement

B Property

C Travel

D Complain about Police

E Complain about airlines holidays hotels

F, G, H, etc — For Post to designate

Headed: Consular daily worksheets

COUNTRY NAME

SHEET NO GRADE

FULL TIME/PART TIME

Please tick appropriate box

DESIGNATION

CHAPTER VI

MIGRATION AND VISA WORK

65. Everyone coming to the United Kingdom for settlement, or for marriage leading to settlement, must first apply for entry clearance at a diplomatic or consular post abroad. People from many countries, notably Eastern Europe and the non-Commonwealth Third World, intending to make a short stay in Britain must first obtain a visa from an overseas post; and Commonwealth citizens visiting the UK can ease their entry at British ports by getting an entry certificate from an overseas post. 606,349 entry clearances were issued for the UK in 1985. Last year 55,400 immigrants were accepted for settlement in the UK about a third of them from the Indian Sub-Continent.

66. Some 150 members of the Diplomatic Service together with 30 Home Office and 300 locally engaged staff handle entry clearance overseas. They are responsible to the head of post and work to the Immigration Rules, guidelines laid down by the Home Office and DSP. Migration and Visa Department (MVD) is the FCO functional department concerned with entry clearances. It serves as a conduit for visa applications referred to the Home Office and other departments, assists and advises posts and handles the substantial number of Parliamentary enquiries.

Output Measures

Settlement

67. Entry clearance is basically casework of a kind which lends itself to output measurement. Immigration from the Sub- Continent presents the greatest management problem: the level of settlement applications has for long surpassed the available capacity to handle them quickly and queues at Dhaka, New Delhi, Bombay, Islamabad and Karachi although now receding, vary, according to

category, from a couple of months to nearly 2 years. The queues are divided into (a) those with a claim to a right of abode; (b) spouses and children; (c) fiancé(e)s; (d) reapplicants.

68. Last year in an effort to reduce and even out the length of queues in each category at the four main posts on the Sub- Continent MVD proposed that they should aim at handling each year no less than a minimum number of cases. This proposal did not find favour and each post has continued to set its own standards for number and length of case in the light of local conditions. I recognise that output measurement cannot be applied arbitrarily. Entry Clearance Officers must not feel under such time pressure that unsound and unjust decisions are taken which lead to more and successful appeals. No two cases are quite the same. Changing immigration rules and local differences over interpretation, presentation of documents and evidence and the mix of seasoned and inexperienced staff all militate against fair comparison. Yet such problems are not unique in the public sector. Doctors in the NHS doubtless find that no two broken arms appear quite the same anymore than income tax inspectors conclude that assessments are identical. During the course of the year the time taken on immigration cases of the same category or sub-category evens out such that standard times based on good practice for preparation, interview and report can with some confidence be set. The fact that these posts do not have queues on their doorsteps but plan their interviews some months ahead and can call up applicants in a regulated flow or in batches of predictable difficulty and duration eases the control problem. I thus find it surprising that common performance indicators for the Sub-Continent have not been agreed between the Home Office, MVD and posts. The purpose would, of course, not be to compel ECOs to cut short interviews or skimp reports but to provide a continuing and objective basis of comparison which would

allow managers at posts and in London to ask questions about apparent blockages and disparities from one year and one post to another. It would above all permit better manpower resource allocation, particularly in providing seasonal temporary staff. I recommend that MVD in consultation with the Management Review Staff, the Home Office and overseas posts introduce a system of quantitative targets for the number of cases dealt with and these be applied to all posts handling large numbers of applications for settlement. While I see virtue in posts on the Sub-Continent observing the same norms, the nature and difficulty of cases in, say, Lagos, are altogether different from those in Dhaka and thus local managers in consultation with London must set their own standards. Targets should be implicitly "stretching", e.g. they might aim to reduce current average casework times by 10%. Performance should be monitored regularly and, where necessary, casework times adjusted.

69. Quality control is of no less importance. The soundness of decisions, scrupulous application of the rules, courtesy of interviews, completeness and accuracy of reports are criteria which, I recommend, local and London managers should continue to monitor. (Conversely, the admittance or refusal rate is not an acceptable criterion of performance, although these rates should be monitored.) Other relevant indicators of quality are the number or proportion of potential immigrants granted clearance by posts who are refused entry at ports and the percentage of applications which adjudicators find were wrongly rejected on application on the basis of evidence then supplied. That an appeal succeeds is not necessarily proof of error by an ECO. Increasingly applicants withhold evidence until the appeal stage which rightly or wrongly they believe to be less rigorous. It should be possible however, for the adjudicator to determine whether the initial decision by the ECO was sound. I recommend that the Home Office monitor adjudication and Tribunal

decisions more systematically and feed back the results to posts through MVD. I recommend also that current efforts to standardise and reduce the length of referral reports and explanatory statements (the production of which takes far longer than the interviews) be intensified.

Short term Visitors: Visas and Entry Certificates

70. A similar, systematic approach should, I believe, be adopted towards the generally more straightforward task of handling visa and entry certificate applications at overseas posts. The volume and pattern vary enormously. Jedda and Riyadh together issue 55,000 visas annually while some posts grant but a handful. Kuala Lumpur, Nairobi and Wellington each issue between 4,000 and 7,000 entry certificates a year. Posts have discretion to give out some visas and entry certificates except to nationals of communist and certain other countries all of whose whose applications are referred to London. Statistics provided annually to MVD show remarkable differences in productivity which can largely be explained by language problems, differing levels of education among applicants, etc. Even so, variations between what might be thought to be comparable posts, such as Paris and Dusseldorf, are marked. (The Management Review Staff are examining this aspect).

71. Most overseas posts set targets for visa and entry certificate work, e.g. all visa applications must be processed within, say, 48 hours or within 5 working days. As there will always be difficult cases, a more realistic target would be to issue, say 90% of visas or entry certificates within 5 working days. I so recommend. Supervising officers at posts will maintain quality control of accuracy and conformity to the rules while feedback from MVD of errors and omissions detected at ports of entry and afterwards (e.g. convicted terrorists and drug smugglers) would provide an additional means of maintaining and improving standards. I recommend that

this be pursued altogether more systematically than at present.

72. Entry clearance work is demand led. Fees charged for each service are intended to cover costs but in practice fall far short. If productivity were increased, revenue would rise towards expenditure and/or the savings could be passed on by way of reduced fees. The Management Information System analyses the costs of entry clearance work at each overseas post (although the results need greater refinement). It would, I recommend be useful to work out the unit cost of granting entry clearance at each post and the marginal cost and revenue of deploying an additional ECO. While demand must be met and waiting times kept to an acceptable minimum, MVD and Top Management should have a means whereby relative costs can be compared. Thus if the marginal cost of deploying an ECO in Cairo were half that of Lagos it might make sense at a time of manpower or cash shortage to allow queues to lengthen in Lagos. (I recognise that other factors, including the diversionary effects, must also be weighed.) Alternatively, differential rates of fee could be considered, although this could raise legal and other problems.

73. The monitoring of entry clearance work lends itself readily to the computers on which numbers, duration, errors, costs and revenue can easily be recorded and analysed. I have suggested a variety of performance indicators above. The basic ones are:

Quantity $\frac{\text{No. of entry clearance cases a month}}{\text{Target no. a month}}$ (by category)

Quality $\frac{\text{No. of entry clearances refused entry at ports}}{\text{No. of entry clearances issued}}$

$\frac{\text{Refusals allowed on appeal}}{\text{No. of refusals}}$

Cost $\frac{\text{Average unit cost of entry clearance applications}}{\text{Fee}}$

CHAPTER VII

ADMINISTRATION: PERSONNEL, TRAINING, OVERSEAS ESTATE, REGISTRY AND COMMUNICATIONS

74. 17 Departments in the FCO comprise the Administration and provide support services for the Diplomatic Wing of the FCO in London and for posts overseas. They cover recruitment, personnel, training, inspection, finance, accommodation, office services, transport, security and communications. Overseas, each post has administration and communications sections appropriate to its size. The wide geographical spread, often difficult conditions of service, frequent rotation of staff, changing patterns of work and constrained resources add greatly to the complexity and size of the administrative load.

75. Regulations and procedures laid down by successive governments, central departments and the Diplomatic Service itself provide guidelines and standards for administrative work. Feedback from line departments and overseas posts enables the Administration to know whether it supports the Service adequately. Like other parts of the FCO, the Administration reviews its performance by Self Inspection Questionnaires and is examined by the Management Review Services. Much of the work, including some casework, is quantifiable and targets and performance indicators are set in several departments. In the paragraphs which follow I have suggested various targets and indicators which should be seen as illustrative only. I have concentrated on those areas of work which can be measured and ignored other, important areas. It is for departments themselves to devise indicators which will help show them whether they are achieving their objectives.

76. I should add that the number of staff and amount of money devoted to administration at home and abroad as a proportion of total FCO manpower and budget are key performance indicators and I recommend that trends should be monitored closely.

PERSONNEL DEPARTMENTS

77. Personnel Policy Department in drawing up plans for redeploying a shrinking work force, in considering options for opening and closing posts and in devising structural models for the Diplomatic Service, can set clear and to some extent quantifiable objectives for its policy work, even though those objectives have had to be frequently modified in the light of Government manpower policy. Manpower Planning and Structure Section works within the overall constraints of manpower provision targets agreed with the Treasury. Constant monitoring is needed to achieve targets by 1 April 1988. Recruitment of Grades DS10 and above is shared with the Civil Service Commission. Clerical staff and secretaries are recruited direct by PPD, who collect data from each competition, response to advertisement, test success rates, ultimate placements etc. Time permitting, Recruitment Section plan to be more systematic in the use made of this information drawing inferences to improve recruitment methods. The very high failure rate in the secretarial test is a case in point now being explored. PPD could usefully employ a few performance ratios such as no. of secretaries interviewed: no. of applicants and no. of secretaries offered employment: no. interviewed and compare results with previous years and perhaps with those of other government departments. The unit cost of each secretary recruited is an important performance indicator as are, of course, "wastage" rates from resignations. PPD's objectives should specify the range of schools and universities to be visited. PPD should strive to evaluate the effectiveness of visits, FCO "open days", recruitment publicity by recording and comparing size of audience and

response and relating this to the number of applicants.

78. Personnel Operations Department in selecting and posting staff must strike a balance between the needs of the Service, the development of each individual's career and his or her wishes. Appropriateness and timeliness matter. Effectiveness can be gauged mainly by subjective evaluation based on feedback from line managers and from individuals. Performance indicators are used and could be employed more extensively. Details of jobs in Grades 5 and 9 are circulated and bids invited. The proportion of staff whose preferences are met is an indicator (but not a sufficient one) of success; the proportion of postings ended prematurely, other than as a result of external factors, is a negative indicator (requiring careful interpretation). Adequate notice of posting is important. POD could set itself a target of giving, say, 90% of staff at least 3 months notice of posting. Too many simultaneous changes in the same area disrupts work and erodes effectiveness. While circumstances differ, it might be useful to set a guideline of moving, say, no more than 25% of staff in the same section/Department during any three month period and account for any exceptions. Jobs left unfilled is an important indicator both of POD's efficiency and of external causes. POD set targets for interchange with the Home Civil Service and for staff worthy of accelerated promotion. A record should be kept and results analysed of the proportion of staff who are unable to complete their training programmes before posting. Welfare Section in its preventive work should systematically monitor trends in days off through sickness and the incidence of disease among DS staff at home and abroad (when this can be done by computer). Prediction, planning and prevention save lives, time and money.

79. In carrying out, reviewing and revising the regulations for allowances and entitlements of DS staff so as to achieve better value for money and fairness to

individuals, Personnel Services Department sets objectives which are usually quantitative. Such reviews, which take account of good practice in the private sector have led to the contracting out of travel arrangements and the freight of personal effects and to the delegation of responsibility to Under Secretaries at home and Heads of Mission abroad of blocks of expenditure. The aims of better value for money and fairness to or improved terms for the individual need not conflict. They can often be achieved through better use of resources and greater efficiency freeing funds for redeployment to areas of greatest need. Sections of PSD which do casework such as briefing staff going abroad, authorising transfer grants and travel and freight should set themselves targets of, say, completing formalities (once authority and medical clearance is given) for 90% of individuals within 3 working days. Starting Pay Sections and others could usefully follow suit. Accuracy is monitored by PSD as well as by the Internal Audit Unit and the National Audit Office.

FINANCE

80. Senior members of Finance Department, in addition to managing a large department, are engaged in strengthening and revising financial control mechanisms, for example, by greater delegation to overseas posts of responsibility for local staff pay and accommodation and by devising with the Treasury better arrangements for handling adjustments in overseas prices. Objectives and deadlines are set and performance evaluated.

81. Most of Finance Department is engaged on process work - pay, travel accounts, overseas accounts etc. In an admirably structured set of objectives Finance Department has incorporated performance indicators of timeliness (payments to be made within one working day) and accuracy (2% error factor). Where volume is great, sampling is employed. Other aspects of the Department's work, e.g.

estimates and overall expenditure, are expressed in terms of objectives both positive (deadlines met, cash limits respected) and negative (errors, complaints, delays). Results are assessed subjectively on a percentage scale. Success and failures are detected on a continuing basis. Control systems can be strengthened and staff redeployed or retrained as necessary. I recommend that targets and indicators be employed more widely, where useful.

TRAINING

82. Training Department provides or arranges elsewhere (including at the Civil Service College) a wide variety of functional and developmental training - consular, commercial, administration, management, etc. - as well as tuition in 36 languages on a regular basis. It also administers the language allowance system. Shortage of funds has impeded the development of computer records which would, and must, provide basic and comprehensive information on the linguistic and functional requirements of each job in the Service and equally of the current language skills, work experience and training record of each member of it. I recommend that this be given priority.

83. In setting its objectives, which include tasks such as evaluating courses, arranging new ones in response to changing demands, Training Department must have means for assessing and comparing in house and out house costs, use of teachers, equipment and rooms as well as the effectiveness of training. Performance indicators for each type of training (which with present resources are looked at occasionally but not regularly monitored) include:

Unit cost per student hour	$\frac{\text{Cost of teacher and overheads}}{\text{Student hours}}$
Teacher utilisation	$\frac{\text{Hours spent teaching}}{\text{Total hours employed}}$
Coverage of target population	$\frac{\text{Numbers trained}}{\text{Numbers needing training}}$ (number involved in relevant work minus number with adequate experience/ training

I recommend more systematic use of such indicators.

84. The effectiveness of training must for the most part be assessed subjectively, though for language training examination results provide a useful objective measure. Training Department rightly asks students to complete questionnaires at the end of courses which provide feedback on relevance and teacher performance. If a course gets less than an average 4.5 marking overall on a 6 point scale, corrective action will be considered. For more substantial courses, such a feedback is also sought from students 6 months later. An experiment to seek feedback from line managers was not successful because of the frequency of postings but should, I recommend be tried against sometime on a sample basis.

OVERSEAS ESTATE

85. Since April 1983 the FCO has itself managed its overseas estate - more than 4,000 office and residential properties in 132 countries. Total budget for capital and current expenditure in 1986/87 is £87.9 m., (20% of FCO expenditure). In the Overseas Estate Department 120 professional staff on loan from the Property Services Agency work with 40 DS staff in administering the estate.

86. OED's primary objective is to provide a cost-effective service: cost equals value for money and economy, effectiveness means enough property of the right kind to allow the Diplomatic Service to function adequately and securely overseas and achieve its overall objectives. Effectiveness can be assessed only subjectively through feedback from posts, inspections, etc. OED's work comprises policy-making - devising a strategy, determining the mix of owned and rented property, space guidelines, the balance of work to be done by OED itself and contracted out, etc.; project work on buying and selling properties, refurbishing old and building new offices and houses; casework - for example, furnishing individual residences; and process work - control of expenditure, payments, receipts. Much of OED's project and casework is contracted out to the private sector but is tasked and controlled by the Department.

87. Considerable progress has been made recently with forward planning of OED's Capital Programme. Option/investment appraisal has been taken further and is now used in assessing priorities for investment. Targets are set for reducing running costs (£4-6m a year by 1995-96 in 1985-86 cost terms) and results reviewed annually with the Treasury. An additional performance measure should I recommend be the volume of the capital programme actually achieved. OED has taken a responsibility for furnishing properties and targets have

been set for reducing staff and travel costs (£525,000) and in current purchasing funds (£526,000) over 4 years. These savings, if achieved, will be ploughed back into the furnishing programme - a good incentive.

88. OED uses a variety of measures in controlling work and expenditure. It sets targets for property acquisitions and sales, controls (with the aid of computerised returns) building projects in terms of expenditure, specification and time. OED employs professional standards of quality in planning and architecture, space standards and guidelines for new construction, property purchases and rentals and time limits for regular returns on e.g. furniture audit, overseas visit reports and decisions on requests from posts to lease property. These measures and controls will be further refined as the Department gains experience. While much has been done, there is room for improvement in OED's speed of response to correspondence and in decision making. I recommend that OED's objective should be to reply substantively to correspondence from overseas posts within 1 week of receipt.

89. While staff costs can be compared only with difficulty when projects differ greatly in size, complexity and in the influence of local factors overseas, it is important that in considering how best to tackle new projects OED should know whether the unit costs of its own architects, surveyors etc. exceed those of competent firms in the private sector. OED's Major Projects Group follow the long-standing PSA practice of using a simplified system of comparison with scale fees and for the time being this system will suffice.

REGISTRY

90. All FCO departments and overseas posts have registries where incoming papers are filed, indexed and retained. Increasingly, indexes and records will be computerised and retrieval made easier and faster. There is a wide variation in the content and type of files maintained, but use of standard registry procedures allows a degree of output measurement.

91. The Registrar, Management Review Services and Inspectorate include a count of papers registered when considering registry staffing, although allowance is made for other tasks such as making up diplomatic bags, cypher work, courier runs which fall to the registry clerks overseas. Timeliness is of particular importance in busy departments and missions. Heads of Chancery or Assistants in FCO Departments may set explicit or implicit norms such as that all incoming papers must be registered and returned with references as soon as possible and within 24 hours of receipt. They should also monitor errors in registering and indexing papers using sampling techniques. The time it takes for a Registry clerk to locate a random sample of explicitly described papers could be used to check on speed of response. The extent to which papers are returned to desk officers with all the essential references (without being asked) is a perennial indicator of the quality and experience of registry staff. I recommend that these measures and methods be followed where they are not already in use.

COMMUNICATIONS

92. I have not had time to look in detail at how output measurement is or might be applied to the Communications Division. It is, however, self-evident that the outputs, be they operations, capital projects or maintenance, can

be quantified and measured to a large degree. The Division should, I recommend, develop useful performance indicators, additional to those described below, to manage its work.

Operations

93. Performance measurement has for long been applied by Communications Operations Department to its global telecommunications network. Records are kept of traffic in terms of numbers of telegrams and groupage. Automation - the Message Handling Switch in the FCO - and the introduction of smarter, but simpler and more reliable radio and cypher equipment overseas have increased productivity and will progressively lead to the employment of fewer full-time communications officers overseas. Transmission time - particularly where the public communications systems are used (private wire and telex and telephone) - is an important indicator of and determinant of cost. A watch is kept of "outages" on private wires and of difficulties in contacting overseas posts using telex. Line managers and COD ensure that the error rate is acceptable.

94. The trend in costs, frequency of service and incidence of delays are measures of the effectiveness of the diplomatic bag services monitored by COD. Rationalisation of Queen's Messenger and courier services has allowed substantial economies in costs even though air fares have risen. A Rayner Scrutiny led to economies in the internal messenger service. Frequency and coverage of service is monitored. Random samples are taken to check speed of delivery, and complaints provide a subjective indicator of effectiveness.

Capital Projects

95. In designing, developing, testing and installing new communications equipment, be they transmitters, the Message Handling Switch, radio receivers, cypher machines,

the Communications Planning, Engineering and Technical Services Departments manage projects in much the same way as the Overseas Estate Department controls progress and expenditure on house building. Completion within budget, according to specification and on time are the universal criteria.

Maintenance

96. For reasons of security, communications equipment and alarm systems at overseas posts are maintained by resident or visiting members of the Communications Technical Services Department. Frequency of breakdown and fault, speed of fault detection, time out of operation and cost of repairs are all performance indicators, although they will be measures of the age and condition of the equipment and of the operating methods of the communicator as much as of the performance of CTSD maintenance staff themselves.

CHAPTER VIII

SPECIALIST FUNCTIONS

97. Around 25% of FCO manpower (excluding communications) is devoted to specialist functions. In London the largest units are Research Department, Library and Records Department, Legal Advisers and Economic Advisers. Technical specialists are scattered throughout the Communications Division, Information Technology Department, Training Department and Security Department and the Police and Labour Advisers' offices. Defence, agricultural, labour, scientific and a few other technical attachés work single-handed or in small teams in important missions overseas.

Specialist Advisers in the FCO

98. Advice to Ministers and line departments is the primary purpose of specialist staff in the FCO. While advisers must update their knowledge, attend conferences at home and abroad etc., most of their time is spent on responsive work at the specific request of FCO departments, other government departments and posts, or agreed with them when initiated by advisers. The difficulty and length of time spent on each task varies widely from a brief answer on the telephone to a study lasting several weeks or months. Possible though it would be to count the number of pieces of advice or pages typed, an output measure of this kind would have little meaning. A better quantitative measure would be the amount of time spent on each piece. Just as solicitors and other professionals in private practice keep a worksheet to charge their clients, so advisers in the public sector could log their work. In this way the Legal Adviser, Head of Research Department, etc. would know the pattern of demand line departments place upon advisers. While I think that worksheets would serve a useful purpose in preparing for inspections and reviews and in justifying

claims for additional manpower, they are of limited value in predicting future workload, which is what every manager needs to know. I recommend therefore that they be used only for these limited purposes.

99. Quality control is essential in advisory work both to managers and to client departments. Performance indicators will include soundness, originality, accuracy and timeliness. Advisers and their managers in the FCO are for the most part healthily self-critical, but feedback from Ministers and line departments will be the prime measure of success of which they should take account in evaluating results against objectives. This will necessarily be subjective but if done systematically and in consultation with client departments is a worthwhile discipline.

100. The classified nature of most FCO work, fast response times, familiarisation with FCO work methods and cost militate against contracting out most advisory work to the private sector. In the Overseas Estate Department and the Communications Division and perhaps elsewhere there may, however, be specialist or advisory work which could be done effectively outside. It is up to the heads of these departments to devise output measures for such work, using worksheets as necessary, so that the performance of civil servants and their cost can be compared with those of outside contractors and decisions taken accordingly.

Specialist Advisers in Overseas Posts

101. Specialist advisers overseas are managed by heads of post and are tasked by government departments other than the FCO (labour, agriculture, technology etc) as well as by FCO functional departments. Much the same criteria as apply to advisory work in the FCO can be used to assess the value of their work which may also have a useful spin-off in terms of the contribution it makes to the

achievement of the posts' overall political and economic objectives.

102. The work of defence attachés in gathering and sifting information and developing local contacts is analogous to that of Chancery and in identifying opportunities for and promoting defence sales is related to civil commercial work. Similar output measurement techniques, to the extent that they are practicable, will apply. In evaluating the performance of MOD defence sales staff and defence attachés overseas, the causal link between their activities and contracts signed should, I recommend, be explored and likewise cost/impact studies should be made of defence sales promotions overseas.

CHAPTER IX

OBJECTIVES

103. The setting of objectives is regarded by some in the FCO (and, I suspect, in other Whitehall departments) as a chore having little connexion with the reality of daily work and having no pay-off. This need not and should not be so if managers purposively look upon objectives as a guide to work, set them with this in mind and update them as circumstances and demands change, as they do so frequently in the FCO. (The departments dealing with European Community, whose business fluctuates considerably, do this very well already, evaluating results.) Whether there is a pay off depends in part upon overall resource constraints, but major shifts in priorities should certainly be achieved through the Top Management Round or machinery and not ad hoc.

104. Objectives should form a hierarchy. At the top it may be useful to have, as at present, a statement of aims and a description of activities for which purpose the FCO exists (see Annex D.) They will vary little over the years. Overall, but short-term objectives, to be set by Ministers, which reflect changing needs and government priorities are rather different. They should, I recommend, be drafted and put in priority order by The Top Management Support Unit and Planning Staff and revised each year. They should be based upon a collation of broad, regional and functional, short-term objectives drawn up annually by the 14 Assistant Under Secretaries, who will consult, as necessary, Deputy Under Secretaries. To be manageable, each set of AUS's objectives should be about six in number, "peeled off" from departments and posts' objectives. I do not see this as much of an

additional task for AUSs who will in any case be involved with departments' and posts' performance evaluation and objectives and who will have to prepare for the examination which the Chief Clerk and a "neutral" Deputy Under Secretary make of AUSs' resource bids. I have described in Chapter II how policy departments and Chanceries should evaluate results and performance and reset objectives and the same holds good for other FCO departments and other sections of overseas posts. Posts' evaluations should be studied by their parent departments and revised objectives agreed, consulting AUSs as necessary. This dialogue is an essential part of tasking. (As mentioned earlier, departments' and posts' long-term objectives would be the same as, subsumed in or replace the aims of the Country Assessment Papers, revised every 3-4 years.)

105. Ideally, there should be a separation between evaluation/objective setting and the annual Top Management Round with its interrogation of expenditure and resource allocation. For most departments and embassies a suitable occasion to review objectives would be the end of the year when heads of post are writing their annual review. Indeed, I recommend that the list of objectives for the year under review be attached. Objectives and evaluation do, however, impinge on resource allocation and it would probably be convenient to conduct the two exercises at the same time towards the end of each year. I recommend this, but would urge that the two be disconnected presentationally. Evaluation and objective setting are, moreover, a continuous process.

106. Objectives for individuals are the bottom layer in the hierarchy. Personnel Operations Department are developing (as are other government departments) a procedure whereby annual confidential reports will include a section, to be agreed between manager and individual, setting out the individual's personal objectives for the

coming year. These will include a segment of the Department's or Section's short-term objectives plus some personal objectives such as increasing knowledge of a specific subject, improving functional skills, e.g. drafting, and linguistic skills. Results would be evaluated each year and new goals set. I recommend that POD give this work priority.

Organisation of the Top Management Support Unit

107. I make no recommendations for organisational changes. It is axiomatic that the Top Management Support Unit must possess or have access to sufficient intellectual resources to enable it to fulfil its role. Convenience may continue to argue for placing it within Finance Department where it can draw upon the Department's clerical and other support without formality and upon (as well as influence) the Management Information System. In cyclical troughs members of the Unit can help Finance Department with the Public Expenditure Survey, etc.

CHAPTER X

CONCLUSIONS

Scope for Output Measurement

108. This scrutiny has revealed that the FCO employs a wide range of output measures in managing its business. The volatile and intractable nature of much of its policy work and its widely scattered operations increase both the need for a well coordinated system of objectives and evaluation to assist central management and the difficulty of devising and maintaining such a system. There is scope, I am sure, for wider application of output measures in the several services provided by the FCO where it is worth going to trouble and expense to determine effectiveness and how time is spent. In policy work, subjective evaluation of results and performance is valid and necessary: the unquantifiable can be given a grading (just like a sixth form essay).

Purposes of Output Measurement

109. I see the main purpose of output measurement to be to help line management in its daily work and to guide and motivate staff. I cannot prove it, but my hunch is that departments and posts with clear and well-considered objectives suffer fewer unpleasant surprises. Pressure of time, brevity of formal training and the presumption of some managers that bright new entrants (and not only new entrants) must surely know what to do without need to be told, leads to poor tasking. Clear objectives for individuals, who have been involved in the devising of those objectives and of performance indicators, and the satisfaction of knowing through evaluation that the result is achieved and the performance good are excellent motivators. It amounts to a cultural shift towards a greater awareness of cause and effect and a greater cost-consciousness. Such a shift should be felt as coming from within the organisation and not as an arbitrary

imposition from the Administration or central departments - another fashionable chore which if borne or ignored will soon pass away.

110. The secondary purpose is to help Top Management in its task of framing overall objectives, according priorities, evaluating results and redeploying resources. Where the latter are shrinking in real terms, it should be particularly helpful to narrow the area of political judgement by having quantitative assessment of some areas of work and systematic, subjective evaluation of others. Cost/impact studies by market, such as I have urged for commercial work, should assist together with evaluation of priorities and results in comparing the importance of the proverbial "apples" of, say, commercial work in the Lyons area of France and the "oranges" of political representation in Papua New Guinea. It should help too in ensuring that the ablest staff are in the areas of highest priority.

Limitations of Output Measurement

111. Output measurement has its limitations. It is tempting but wrong to give undue weight to what is measurable if the most important objectives cannot be quantified. The results of output measurement present questions to be answered not answers in themselves. Results must not be treated in isolation but interpreted in context. Data collection and analysis is time-consuming and expensive. Any system of measuring cost-effectiveness must itself be cost- effective.

Sampling

112. This leads naturally to sampling which offers the key to what otherwise would be unacceptably onerous methods of monitoring the time, cost and results of FCO activities. I have recommended that commercial and consular staff keep worksheets. It may prove unavoidable to begin with for worksheets to be maintained for a month

or so, particularly in small posts where work is "lumpy". However, once a system is in operation, assumptions proved valid and like compared with like, a sample taken on one day, say the 3rd of each month, could suffice adequately to depict the work pattern. Sampling has its part to play in detection of errors, e.g. with pay, accounts and registry and in analysing the pattern of business decisions and consequential value of additional exports and profits. Professional help is available from the FCO Economic Advisers and central departments.

Feedback

113. Feedback is an essential mechanism in management and one which could be improved in the Diplomatic Service. Some geographical departments have an excellent rapport with overseas posts which are well tuned to the FCO's needs. Others are not. Posts, particularly outside Western Europe and the United States, can easily lose touch with the changing needs of London departments. Modern communications provide the means, but it requires a leap of imagination by departments to ensure that posts are adequately tasked. Frequent, small touches on the tiller are better than large shifts. I have recommended an experimental rating system for reports from overseas posts, but see this as a means of measuring the extent of the problem and not a substitute for a constant dialogue between posts and headquarters.

Other Applications of Output Measurement

114. Some years ago the Planning Staff attempted to rank countries in terms of importance and UK interests. The result was unsatisfactory and the exercise abandoned largely because it provided an objective measure of each country's size - population, g.d.p., etc. - and the extent of UK commercial interests, but did not adequately rate "importance" to the UK, i.e. intangible factors such as the power of another country and its capacity to cause trouble and work, "demand" from Ministers, other

government departments, business and the public on posts, and the usefulness of overseas posts in terms of access to local leaders and their ability to influence policy and events. I would not pretend that output measurement in the present state of the art would justify attempting to revive this ranking table. Nonetheless, techniques such as cost/impact analysis plus more systematic assessment of demand and subjective evaluation of results do provide some of the constituents: a point, I recommend, to bear in mind.

115. These techniques also bear on thorny issues such as charging for (more) FCO services and also on contracting out work to the private sector. Problems of balance in the use and usefulness of resources can also be addressed, for example, the balance between staff at home and abroad, and the balance between the 1,118 strong Communications Division and the number of other UK staff (5,482) at home and abroad.

Computers

116. With the introduction next year of the FOLIOS system in the FCO and the expansion of computer programmes to serve Commercial and other sections of overseas posts, numerical record keeping, objectives, worksheets, performance indicators, sampling can much more easily be maintained. I recommend that in devising new systems and writing programmes, Information Technology Department work closely with Departments and posts so as to ensure that from the outset provision is made for systematically setting targets, monitoring progress and evaluating results in terms of the recommendations of this report.

Training

117. To write clear, concise, specific objectives, to assess priorities, to devise performance indicators and to evaluate results and performance are techniques to be learned and improved. While practice can be acquired only

on the job, these techniques should form part of the regular training programmes in management, commercial, consular, administration work, etc. arranged by Training Department. I so recommend.

Implementation

118. I have not suggested specific deadlines for carrying out each recommendation. I see the wider application of output measurement as a gradual, incremental process. By the end of 1987 when Assistant Under Secretaries, Departments and overseas posts formally evaluate results and performance and set new objectives, I would expect objectives to reflect the recommendations of this report, performance indicators to be more extensively applied, surveys of work patterns employing sampling to be in use and cost/impact analysis to be further developed. I recommend that in three years' time the results of this scrutiny be reviwed.

Costs of Scrutiny

119. The total costs of the scrutiny are about £22,120.

Epilogue

120. In a scrutiny of this kind covering the whole of the FCO's work, it is not always easy to keep a sense of proportion. I see output measurement not as a magic wand let alone as a substitute for judgement, but as a useful, additional tool of management, one which is already widely applied but which could be employed to greater effect. It shifts the emphasis from inputs, these days tightly controlled by central departments, to outputs.

F.B. Wheeler 31 August, 1986

LIST OF RECOMMENDATIONS

No.	Para. No.	Recommendation
1	30	FCO departments should set long-term and (up to 12) short-term objectives, which should be specific, where possible quantified, time-related with progress "milestones", and in priority order.
2	30	Departments should evaluate results and performance continuously using objectives as a regular guide. Objectives should be updated as necessary.
3	30 and Annex	Departments should formally evaluate results and performance (using the checklist of questions) towards the end of each year to coincide with the Top Management resource questionnaire, and reset objectives.
4	30	Supervising Assistant Under-Secretaries should review departments' results and performance and agree revised objectives.
5	30	Overseas posts should also follow recommendations 1-3 and, while grouping objectives by section (up to 12 a section for large posts, fewer for smaller posts), should rate them in priority order overall. Departments and Under-Secretaries should review posts' evaluations and agree revised objectives.
6	30	Departments should improve the tasking of overseas posts by better and more frequent feedback.
7	28-30	A selection of departments should rate a sample of incoming reports from overseas posts on an experimental basis.
8	36	FCO and DTI should persevere with cost/impact analysis, examining business methods in greater depth, with the aim of evaluating BOTB services at home and abroad (and, where possible, other assistance and advice to British industry also), market by market.

No.	Para. No.	Recommendation
9	36	Commercial Sections overseas, in consultation with DTI and TRED, should increase their feedback from British firms (relating benefits to costs), where posts' assistance and advice is not analysed by larger DTI exercises.
10	38	Commercial Sections overseas, in setting objectives, should be guided by the illustrative lists.
11	39	Commercial Sections overseas should employ performance indicators based on intermediate objectives where these can be shown to be useful in managing work, motivating staff and assessing results and performances: see examples. TRED and DTI should ensure a degree of consistency in the introduction of performance indicators, useful for their own purposes.
12	39	Commercial Sections overseas should ask British firms to let them know what additional exports result when undertaking major market surveys or suggesting agents.
13	40	TRED and DTI, using sampling methods, should monitor time spent by Commercial Sections on categories of activity, and costs.
14	40	TRED and DTI should review and prune heavily the current commercial work statistics.
15	51	Information Department and overseas posts should take greater advantage of existing public opinion surveys in identifying targets and priorities for information work overseas.
16	52	Information Department and sections overseas should evaluate the results of a sample of sponsored visits to the UK.
17	53	Information Sections overseas should be guided by the illustrative list of objectives.

No.	Para. No.	Recommendation
18	58	Consular posts overseas should devise and employ performance indicators for managing documentary work on the lines suggested and Consular Department should monitor progress.
19	59	Consular posts overseas should devise and employ performance indicators on lines suggested for managing the issue of passports. Nationality and Treaty Department should monitor results.
20	62	Consular Department should establish and systematically monitor the pattern and costs of consular protection work overseas by means of worksheets, employing sampling.
21	64	Consular posts should, where useful, devise and employ performance indicators for prison visiting and other activities which could better be managed by such methods.
22	64	Consular posts overseas, in setting objectives and evaluating results and performance, should be guided by the illustrative list of objectives.
23	68	Migration and Visa Department, in consultation with the Management Review Staff, the Home Office and overseas posts, should introduce a system of quantitative targets for the number of settlement cases handled over a defined period. Sub-Continent posts should work to the same "stretching" target. Posts and MVD should monitor performance.
24	69	Performance indicators, on lines suggested, should be employed by overseas posts to monitor entry clearance for settlement.
25	69	Migration and Visa Department should ensure that the Home office monitor adjudication and Tribunal decisions more systematically and feed back results to overseas posts.

No.	Para. No.	Recommendation
26	69	MVD and overseas posts should intensify current efforts to standardise and reduce the length of referral reports and explanatory statements for settlement cases.
27	71	MVD and overseas posts should set process targets for visa and entry certificate work, and monitor results.
28	72	MVD should systematically inform overseas posts of errors and omissions detected at ports of entry and afterwards (together with details of, e.g. convicted terrorists and drug smugglers granted entry clearance).
29	72	MVD should establish the relative unit cost of granting entry clearance at main posts and the marginal cost and revenue of deploying an additional Entry Clearance Officer.
30	74	The number of staff and amount of money devoted to administration at home and abroad as a proportion of total FCO manpower and budget are key performance indicators and should be monitored closely.
31	77	Personnel Policy Department should employ performance indicators to monitor progress in recruiting staff and to evaluate the effectiveness of its recruitment methods.
32	78	Personnel Operations should make more extensive use of performance indicators in evaluating results of casework in posting staff and in preventive Welfare work.
33	79	Personnel Services Department should make greater use of performance indicators in casework - briefing, travel, freight, pay, etc.
34	81	Finance Department should continue to set targets and performance indicators, employing these more widely where useful, in managing process and casework.

No.	Para. No.	Recommendation
35	82	Information Technology Department should give priority to developing a computer system which will record the linguistic and functional skills and training record of each officer and the training requirements of each job.
36	83	Training Department should more systematically employ performance indicators in evaluating the results and costs of training.
37	84	Training Department should try again to monitor, through sampling, the value of training courses by questioning line managers.
38	87	Overseas Estate Department should, as a performance measure, monitor trends in the volume of capital programme achieved.
39	88	Overseas Estate Department should aim to reply substantively to correspondence from overseas posts within 1 week of receipt.
40	91	Managers of registry staff should employ the suggested performance indicators in monitoring productivity and standards of registry work.
41	92	Communications Division should develop additional performance indicators better to manage its work.
42	98	Sampling, using worksheets, could be employed to assess the pattern, time and cost of specialist advisers' work but is justified only when preparing for inspections or reviews.
43	102	Defence Department should invite MOD to evaluate the work of defence attachés. Cost/impact studies could be made of defence sales promotions overseas.
44	104	The FCO's hierarchy of objectives should consist of: (1) a general (and unclassified) statement of aims and description of activities;

No.	Para. No.	Recommendation
		(2) overall short-term objectives, drafted by the TMSU and Planning Staff for approval by Ministers reflecting current government priorities, and drawing on:
		(3) broad, regional objectives prepared by Assistant Under-Secretaries, drawing on:
		(4) Departments' and overseas posts' objectives;
		(5) objectives for individuals to be included in annual confidential reports.
45	105	The annual evaluation of results and performance and revision of objectives should take place towards the end of the year to coincide with, but separately from, the Top Management Board.
46	105	A list of overseas posts' objectives for the past year should be attached to Annual Reviews.
47	106	Personnel Operations Department should give priority to modifying the Confidential Report form so as to include individuals' objectives.
48	114-115	The usefulness of output measurement techniques in addressing the FCO's structural problems, ranking of priorities of overseas posts, charging for services and contracting out should be borne in mind.
49	116 (and 41)	Information Technology Department should work closely with departments and overseas posts so as to provide at the outset means of setting targets, monitoring progress and evaluating results when devising new computer programmes.

No.	Para. No.	Recommendation
50	117	Training Department should include instruction in output measurement in their regular functional training programmes for FCO staff.
51	118	The results of this scrutiny should be reviewed in three years' time.

TERMS OF REFERENCE FOR FCO SCRUTINY ON OUTPUT MEASUREMENT

To identify and appraise critically the extent to which measures of output are currently used and can be developed further within the Diplomatic Wing of the FCO and to assess the achievement of plans and fulfilment of defined objectives with particular attention to:

(a) the differing nature of measures need for political, consular, commercial, information, administration and specialist functions;

(b) the measurement of output where the purpose of the activity is preventive, and negative measures generally;

(c) the distinction between measures of output and measures of activity, including intermediate measures;

(d) the differing standards and techniques of measurement required overseas.

To make recommendations on:

(a) the value of output measures currently available;

(b) the lines on which the development of output measures should proceed;

(c) the machinery for the regular and systematic application of output measures to the assessment of achievement of objectives;

(d) the acceptable cost of introducing such measures in terms of the time and resources devoted to applying them;

(e) any necessary consequential organisational changes.

ANNEX B

LIST OF ORGANISATIONS AND PEOPLE CONSULTED

FCO

The Rt. Hon. The Baroness Young, Minister of State
Sir Patrick Wright, Permanent Under-Secretary
Sir John Freeland, Legal Adviser
Sir John Whitehead, Chief Clerk
Mr R Q Braithwaite, DUS
Mr N J Barrington, AUS
Mr C W Long, AUS
Mr K G MacInnes, AUS
The Hon. Humphrey Maud, AUS

FCO DEPARTMENTS

Economic Advisers
Planning Staff
Research

East European
Far Eastern
Middle East
Nuclear Energy
Soviet
Western European

European Community (External)

Trade Relations and Exports

Maritime Aviation and Environment

Claims
Consular
Cultural Relations
Information
Library and Records

Migration and Visa
Nationality and Treaty
Parliamentary Relations Unit

Management Review Staff
Overseas Inspectorate
Personnel Operations
Personnel Policy
Personnel Services
Training

Communications Division
Information Technology

Finance
Office Services and Transport
Overseas Estate

Mexico and Central America
South Asian
South Pacific

Central African
East African
West African

Near East and North African

Defence
Service Advisers and Attaches

OVERSEAS POSTS

North America
Ottawa
Washington

Caribbean

Bridgetown

Port of Spain

South America

Bogota

Caracas

The Arab World

Amman

Tunis

Southern Europe

Athens

Madrid

Nicosia

Palma

OTHER GOVERNMENT DEPARTMENTS

Cabinet Office, Efficiency Unit: Sir R Ibbs, Ms K Jenkins, Ms K Cairns, Mr C Chivers;
Joint Management Unit: Mr W St Clair, Mr C Talbot

Ministry of Defence: Mr M J V Bell, Director-General of Management Audit and Mr B R Hawtin, Secretariat Policy (NATO/UK)

Energy: Mr C C Wilcock, Establishment and Finance Division, and panel

Environment: Miss F McConnell, Head of International Division

Home Office: Mr G H Philips, Head of Immigration and Nationality Department, and Mr J W Cane,

Finance and Manpower Department

Overseas Development Administration: Mr A Sutherland

Trade and Industry: Mr A Hunter, Mr N Pears, Mr A R Titchener, Mr R Hobbs

Transport: Mr A Fortnam, Head of Division 2, International Aviation Directorate

Treasury: Mr A Edwards

REPRESENTATIVES OF FOREIGN GOVERNMENTS

Department of External Affairs, Ottawa
State Department, Washington
French Embassy, London
Foreign Ministry, Bonn

OUTSIDE BODIES

Mr Malcolm Levitt, National Insititute for Economic and Social Research
Mr Francis Plowden, Cooper Lybrand
Dr William Wallace and colleagues, Royal Institute for International Affairs

POLICY EVALUATION : AID TO INDO-CHINESE REFUGEES IN THAILAND
(A preliminary and incomplete study)

Background

1. Since the Communist take-overs in Vietnam, Cambodia and Laos in 1975, some 1.7m Indo-Chinese have fled those countries. The exodus reached its peak in 1978, when 200,000 refugees arrived in Thailand alone.

2. In response to the crisis, a conference was held in Geneva in 1979 at which the international community resolved that there should be a world-wide sharing of the burden, covering both resettlement and support within the region. At that conference, the UK pledged £5 million, together with resettlement places for 10,000 Indo-Chinese refugees. Besides the UK's general commitment to the principles affirmed at the conference, British interests were directly involved through the burden placed on Hong Kong as a place of first asylum for Vietnamese fleeing by boat. Since 1979, the UK, in common with others, has kept up its efforts to help solve the problem of Indo-Chinese refugees through:

(a) financial support for international and voluntary organisations (total aid to date £12.5 million);
(b) help with the resettlement of refugees (20,000 up to 1986, with a further 14,500 displaced Indo-Chinese absorbed into Hong Kong); and
(c) maintaining pressure in search of an overall solution to the Indo-China problem, caused by Vietnam's oppressive policies and the illegal occupation of Cambodia.

3. Thailand has borne the brunt of the flood of refugees, with over 600,000 arrivals since 1975. Thailand is also the "front line state" in ASEAN's stand against Vietnamese expansionist policies. In 1984/85, the burden placed on Thailand was increased by the arrival of some 230,000

displaced Cambodians following the Vietnamese campaign against resistance bases near the Thai/Cambodian border. There are not normally classified as refugees and, hence, are not eligible for resettlement in third countries. Thailand currently has around 126,000 refugees and some 240,000 displaced persons on her territory. The United Nations Border Relief Organisation was set up in 1983 to assist Cambodians on the border. The United Nations High Commissioner for Refugees, International Red Cross and voluntary organisations run assistance, resettlement and voluntary repatriation programmes for Indo-Chinese refugees.

OBJECTIVES OF UK POLICY

Ultimate Objective

4. The ultimate objective of UK policy is a continuing favourable environment for UK (and Hong Kong) security and economic interests in South-East Asia, put at risk by Vietnamese expansionist policies and the unresolved refugee problem.

Intermediate Objectives (2)

5. Towards this ultimate objective intermediate objectives are:

(a) helping to solve or relieve the refugee problem;
(b) relieving any further pressure on Hong Kong to absorb more refugees;
(c) being seen to be helping and hence gaining the approval of the Thailand, ASEAN and donor governments and avoiding the possible adverse consequences of failing to help;
(d) contributing to a political solution to the Cambodian problem and to condemnation of Vietnamese policies;

Intermediate Objectives (1)

6. In turn to attain these intermediate objectives UK policy is aimed at:

achieving an appropriate balance of effort from the international community towards resolving the refugee problem and wider political problem.

Inputs by the UK (and Hong Kong)

7. UK and Hong Kong contributions (inputs) consist of (July 1979 - July 1986):

(i) expenditure on relief and repatriation in SE Asia (£12.5m);

(ii) expenditure on resettlement of 20,000 refugees in UK (£ m) and total costs to Hong Kong of displaced Indo-Chinese for 1979-1986, including the costs of temporary accommodation and integrating 14,500 (£ m);

(iii) political support: staffing and related costs in FCO Diplomatic Wing and ODA and overseas posts (British Embassy, Bangkok, South East Asia Development Division, Bangkok, UK Missions to the United Nations in Geneva, etc) (£ m).

ASSUMPTIONS OF UK POLICY

8. These are:

(a) helping to solve the refugee problem will serve the UK ultimate objective of a safe, stable and prosperous South-East Asia, consistent with UK interests; conversely a failure to help by the UK and other Western countries would have led to an unacceptable situation in human and security terms;

(b) an appropriate UK contribution will favourably influence SE Asian and donor governments; conversely a failure to contribute risks adverse consequences;

(c) a UK contribution is consistent with its obligations to assist refugees worldwide under the terms of its ratification of the 1951 UN Convention relating to the status of refugees and the 1967 Protocol;

(d) a UK contribution will encourage other governments, notably those of Thailand and other countries of first asylum, to assist in solving or relieving the Indo-China refugee problem;

(e) international efforts coordinated by UNBRO and UNHCR provide the most effective and efficient means of repatriating and providing relief to the refugees.

EFFECTIVENESS INDICATORS

9. Against the Ultimate Objective

(a) security: balance of power maintained; no erosion of ASEAN unity; Vietnam isolated from the West politically, and receiving no assistance or technology;

(b) Thailand and other South East Asian countries look favourably on British business.

Against Intermediate Objectives (2)

10. (a) following resettlement, the refugee problem has receded with only 126,000 refugees (25% of the total number seeking asylum) remaining in Thailand, albeit together with 240,000 displaced persons;

(b) while the pressure on Hong Kong to absorb more Indo-Chinese has not diminished, there has been a reducing trend in the numbers of those seeking asylum;

(c) Thailand and ASEAN governments have frequently expressed gratitude for UK support. UK commercial and investment interests have increased (£ m and £ m) between 1979 and 1986;

(d) international condemnation of Vietnam's illegal occupation of Cambodia grows, viz United Nations General Assembly Resolution of 1985 condemning

Vietnam passed by a record 114 in favour - 21 against - 16 abstentions.

Against Intermediate Objectives (1)

11. (a) UK contribution to international effort to resettle and relieve refugees amounts to % of the total;

(b) the UK, in accepting 20,000 refugees and Hong Kong in absorbing 14,500, has taken % of those for whom durable solutions have been found.

(c) these proportions are broadly commensurate with UK interests in SE Asia (% of market share, % of foreign investment) and with our assessed regular contribution to the United Nation's budget (%).

Efficiency Indicators

12. (a) the cost per head of settling 20,000 refugees in the UK is of the order of £ ;

(b) the cost per head of responding to the arrival in Hong Kong of 112,000 asylum seekers, including the integration of 14,500 is of the order of £ ;

(c) the cost per head to the UK of relief to refugees in Thailand is currently £ per annum;

(d) of 20,000 refugees settled in the UK, approximately % are now financially self-supporting;

(e) UK contribution of £12.5 million to UNBRO and other international and voluntary organisations has helped encourage total contributions of £ million, a gearing of 1 : - ;

(f) the British Embassy in Bangkok is able to ensure that no bilateral aid reaches Khmer Rouge or Vietnamese and to monitor UNBRO's operation generally.

CONCLUSIONS

13. Although no overall political solution is in sight, Thailand continues to develop, along with other ASEAN countries, as a force for stability in the region. Vietnam's expansionism is checked, with a growing opportunity for Cambodian assistance to force further concessions upon the Vietnamese and its clients. Thailand is also continuing its contributions to efforts to find human solutions to the refugee burden. The UK's political concerns in the region are thus being met as are its trade interests. The refugee problem has been contained and, while consideration will have to be given to long-term solutions, the costs to the UK remain appropriate to its resources and its degree of involvement in the region, and in step with those of its allies.

South-East Asian Department
FCO

31 August 1986

FCO DIPLOMATIC WING: OBJECTIVES

General Objectives

1. The main strategic objectives of the Secretary of State for Foreign and Commonwealth Affairs are:

(a) to enhance the security and prosperity of the United Kingdom and the Dependent Territories;

(b) to promote and protect British interests overseas, including the interests of individual British citizens.

2. The implementation of these objectives involves the following tasks for the Foreign and Commonwealth Office*:

(a) to advise the Government on the formulation of their foreign policy in order to achieve these objectives;

(b) to implement the Government's foreign policy.

3. In order to fulfil these objectives, the FCO:

(a) conducts inter-governmental business and negotiations with foreign states through FCO posts overseas and foreign missions in London;

---

* in this document the Foreign and Commonwealth Office (FCO) is synonymous with the Diplomatic Service, i.e. it does not include the Overseas Development Administration (ODA).

(b) participates in the work of multilateral organisations;

(c) coordinates its activities with other Government Departments as appropriate to ensure consistency in the application of the Government's policies overseas;

(d) presents and explains the Government's foreign policy in the UK and overseas.

4. Specific Objectives

The specific objectives of the FCO are as follows:

5. Political Affairs

(i) To report on, analyse and advise on international political developments affecting government policy and British interests.

(ii) To conduct intergovernmental business and negotiations.

(iii) To identify and seek to forestall potentially damaging crises.

(iv) To work with like-minded countries, particularly through the political cooperation machinery of the European Community and with the Commonwealth and the United States, to strengthen democracy and stability across the world and to ensure the peaceful settlement of disputes based on the principles of freedom and justice.

6. International Security

In liaison with MOD and our allies to maintain and improve the effectiveness of NATO in ensuring the nation's defence; to work towards balanced and verifiable arms control and non-proliferation of nuclear weapons; to

combat international terrorism; to advise on arms sales, peace-keeping forces and military training for developing countries.

7. Commercial Affairs

(i) To promote and protect Britain's commercial interests overseas in coordination with DTI and ECGD. This is carried out through FCO posts overseas to discharge responsibility for export promotion including the provision of market and other information to businessmen, for the attraction of inward investment and for inter-governmental business in commercial affairs.

(ii) To ensure that the Government's commercial and export credit policies towards individual countries are consistent with its overall policies towards those countries.

8. Economic and Financial Affairs

(i) To contribute to advice on the Government's decisions concerning international economic and financial issues.

(ii) To help conduct inter-governmental business and negotiations in financial and economic affairs, including the settlement of claims.

9. Technical and Scientific Affairs

(i) To contribute information and advice for decisions on the overseas aspects of governmental involvement in technical and scientific matters (e.g. aviation, energy, space etc.).

(ii) To contribute to the conduct of

inter-governmental business (in technical and scientific affairs), both bilaterally and in the United Nations, its Specialised Agencies and other fora.

(iii) To ensure that the international aspects are given proper weight in the formulation of the government's technical and scientific policy.

10. Aid

(i) In cooperation with the ODA to ensure that the broad objectives of HMG's foreign policy are taken into account in the formulation of aid policy.

(ii) To contribute to the implementation of that policy overseas - especially when the ODA is not directly represented - by negotiating with the governments of aid recipients, reporting on relevant developments and participants in project management.

11. Consular Work

(i) To carry out the statutory requirements for assisting British citizens overseas: e.g. work under the Merchant Shipping Act; registration of births and deaths, carrying out certain notarial acts; and processing applications for citizenship.

(ii) To carry out certain non-statutory services for British citizens; e.g. the issue of passports; the relief and where necessary the repatriation of British citizens; and the provision of assistance or protection to UK nationals (including if necessary, plans for evacuation).

12. Immigration and Visa Work

(i) To participate in formulating policy on entry to the UK to ensure that the implications of visa and immigration decisions on HMG's relations with foreign governments and its reputation abroad are given due weight.

(ii) To administer overseas the regulations relating to immigration and visas.

13. Information and Cultural Work

(i) To present the Government's policies with maximum effectiveness overseas.

(ii) To present the Government's foreign policy with maximum effectiveness in the UK.

(iii) To enhance Britain's image overseas and extend its influence.

(iv) To help publicise British goods and services and the possibilities of inward investment.

(v) To cooperate with the BBC External Services and the British Council in achieving 13 (i), (iii) and (iv).

14. Representational Work

To fulfil the representational aspects of inter-governmental relations including:

(i) to represent Britain and the British Government officially overseas;

(ii) to deal appropriately with the representatives of foreign powers and international organisations in the UK;

(iii) to provide briefing, hospitality and other services for distinguished inward and outward visitors.

15. Administration Work

To provide in the most efficient and economic manner possible the services and facilities essential for the execution of the objectives outlined above.

CONFIDENTIAL & PERSONAL

PRIME MINISTER

PROJECT REPORTING

We are due to meet this Friday so that I can explain the arrangements I have agreed with MOD for regular reports to you on their major projects.

In August I sent you the first of these reports. Attached to this minute is the second, which records progress on projects to September, and is a complete example of what is suggested. Part A - Project Overview - provides cost information; namely, the baseline estimate, comparative current estimates for the latest report and the previous one, and total spend to date. Part B - Milestones Exception Report - indicates target completion dates for the latest report and the previous one, with notes on any slippage. There is also (Annex C) a short note on each project setting out the past history.

The objective is to enable you to see at a glance any significant changes in cost or completion date. I propose that on each occasion the most notable items should be marked on your copy in red.

During the summer, when we discussed the Nimrod project, I undertook to look further at MOD's arrangements for managing complex projects and in particular for monitoring progress on novel scientific and technological aspects. I have had discussions on this with Clive Whitmore and Peter Levene, and the Efficiency Unit has looked briefly at the way the Procurement Executive operates.

We conclude that there has been good progress in tightening up contract procedures within the Procurement Executive. Peter Levene has had a substantial impact in moving to fixed price contracts and in insisting on strict definition at the contract specification stage. In future there should be few, if any, new projects for which scientific and technological problems remain to be solved after the contract has been specified.

However, I am still concerned that MOD's systems, and arrangements for deploying scientific staff, may not be adequate to ensure proper target setting and monitoring of progress up to the contract specification stage, which is the absolutely crucial one if Peter Levene's new system is to work effectively. Similar target setting and monitoring is also needed for any existing projects which remain from the previous way of doing things, and for any new projects which turn out not to be completely specified in time despite present good intentions.

I have discussed this with Clive Whitmore and he has agreed that MOD should carry out a Scrutiny to examine their scientific and technical resources, giving particular attention to the definition and subsequent monitoring of technical risk and the working of the milestones system. I have agreed to put a member of the Efficiency Unit on the Scrutiny team, and the Scrutiny will be carried out with the normal supervision from the Unit.

I hope the Scrutiny will provide a basis for being reassured that the scientific side of projects is well managed in MOD. At this point it is certainly an encouraging and positive response from the Department.

My other concern has been about the effectiveness of the Equipment Policy Committee of MOD which is the main vehicle for approving and reviewing major projects. It brings together all the different interests concerned in this process but was clearly not effective until a very late stage in highlighting the difficulties with Nimrod.

I have discussed with Clive Whitmore how future lapses of this kind can be prevented. The key to the problem is that the Committee must challenge and test all the aspects of a project that comes before it. Clive has agreed formally to remind the Chairman of the Committee, the Chief Scientific Adviser, that it is his responsibility to ensure that all doubts and weaknesses are exposed and that he must not aim merely to arrive at a consensus.

A Value for Money Seminar with MOD has now been arranged for Wednesday 17th December. This is designed to give you an opportunity to find out more about what the Procurement Executive is now achieving. I hope Peter Levene will be able to demonstrate some substantial results from the changes he is bringing about. I shall send you a brief for that meeting nearer the time.

I am copying this to Robert Armstrong.

ROBIN IBBS

21.10.86

SR13:MOD21/10

MOD Project Report: October 1986

Annex A compares the current forecast of key targets against the previous forecasts (ie. 2 months earlier) - and against the baseline forecast. The baseline forecasts represent the most recent relevant approval by the Equipment Policy Committee and are explained further in Annex B.

There are no significant variations in this table this month.

Annex B shows on an exception basis, the milestones targets where the forecast completion date has changed significantly since the last report or where a milestone date has been missed.

The significant changes this month relate to the EFA project.

Annex C. A short note on each project setting out the past history.

CONFIDENTIAL

ANNEX A

(A) PROJECT OVERVIEW

DATE: September 1986

PROJECT	BASELINE ESTIMATES				CURRENT ESTIMATES						TOTAL SPEND TO DATE	
	DATE	TOTAL COST	UNIT COST	IN SVC DATE	TOTAL COST		UNIT COST		IS DATE			
					LAST	THIS	LAST	THIS	LAST	THIS	LAST	THIS
Type 23 Frigate	1/83	N/A	123m	3/91	(167m)	198m	115m	115m	3/91	3/91	44m	52m
Stingray a) b)	1978 1985	1740m	a)311k b)222k	N/A	1638m	1638m	185k	185k	9/83	9/83	943m	957m
LAW 80	3/86	393m	1338	12/87	(382m)	393m	1338	1338	12/87	12/87	71m	78m
MCV 80	4/77	572m	N/A	12/86	489m	489m	467k	467k	3/88	3/88	81m	82m
EFA	No	EPC	Review	to date	5444m	5444m	17m	17m	/97	/97	2.5m	2.5m
Harrier GR5 a) b)	12/79 7/84	a)1266m b) 523m	15m	/86	1530m	1530m	13m	13m	/88	/88	307m	351m
Nimrod	-	1060m	-	-	Interim	£50m 6 month contract			-	-	834m	843m
Trident Sub.	5/86	9869m	1086m	12/94	-	9869m	-	1086m	-	12/94	-	613m

ANNEX A

CONFIDENTIAL

(B) MILESTONES EXCEPTION REPORT

DATE: September 1986

PROJECT	MILESTONE REFERENCE	COMPLETION TARGET LAST	COMPLETION TARGET THIS	COMMENT/REASON
Type 23 Frigate	-			No changes in plan
Stingray	Surveillance contract	8/86	9/86	One month slippage due to late quote from contractor. Not critical to progress
LAW 80	Freeze data pack	8/86	10/86	Due to late receipt of small number of drawings from prime contractor. Will not impact production schedules.
MCV 80	-			No changes in plan
EFA	Submission to EPC	1/87	3/87	EPC retimed to allow consideration of interim technical & financial information from definition refinement phase.
EFA	NATO charter for IPO	9/86	12/86	Delays in German procedures for signing MOU's and re-estimate of time needed to approve charter
Harrier GR5	Delivery of P1 to A&AEE	7/86	9/86	Delay due to aircraft instrumentation problems (New Sept. date met)
Harrier GR5	First flight of P3	9/86	10/86	One month delay at MOD request to allow wiring modification pre first flight
Nimrod	-			No milestones pending OD decisions
Trident	-			No changes in plan

ANNEX B

SR13:MOD21/10

ANNEX C

This annex briefly outlines the history of each project and relates the Baseline Estimates in table 1 to the original endorsement for each project.

1. Type 23 Frigate

The Staff Requirement on which the design was based, recommended by the ORC and DEPC and approved by SofS in June '82, was for an average UPC of £90M (at 81/82 prices, which equals £114M at 85/86 prices). This was amended in January 1983 in order to increase the vessels length to 123m, add a 4.5" gun and other improvements learned from the Falklands campaign, leading to SofS's approval of £98M at 81/82 prices (£123M at 85/86 prices) which is the current baseline estimate. There was no equivalent total cost calculated in 1/83.

2. Stingray

The DEPC endorsed full development in 1972 with a forecast ISD of 1979. Technical difficulties leading to unsuccessful trials in 1976 coupled with MOD's dissatisfaction with the contractors management of the project led to CDP setting up an independent review (Charnley Inquiry) in late 1976. A reappraisal of the programme was completed in 1978 with full resubmission to Treasury and ministers. The proposal to proceed with completion of development combined with initial production was approved by ministers and Treasury in September 1978.

Subsequently in 1981 the project was subsumed with the approval for initial production of Spearfish, with a combined fixed price contract. In 1985 Ministers approved the full production proposal and the baseline estimate is a combination of the 1978 and 1985 approvals.

3. LAW 80

The project was originally endorsed for full development in 1978. Following a revision of the threat which the weapon was to be designed to defeat, it proved more difficult to achieve the required capability than had been expected. This led to cost and time overrun and the consequent slippage of the ISD. In March this year a new proposal for completion of development and for production was approved and this resulted in the Prime Contractor recently signing amendments to the development and the production contracts. The baseline estimate represents this recent approval.

4. MCV 80

The approval for project definition was given in 1977, and this remains as the baseline estimate. The 15 month slippage in ISD resulted from the period of financial uncertainty caused by the moratorium on defence expenditure and the 1981 defence review.

5. European Fighter Aircraft (EFA)

Five Air Staffs (including France) signed an Outline European Staff Target in December '83. Investigation of technical feasibility of the 5 nation programme began in January '84, leading to a formal Feasibility Study. It proved impossible to reconcile French views with those of the other 4 nations, which agreed in August '85 (the "Turin Agreement") to proceed with a Project Definition study on the basis of defined aircraft characteristics. Design difficulties emerged earlier this year but have now been overcome. Optimum programmes, to balance risk and cost, for airframe and engine, are being devised. The results will be contained in the industrial reports on the PD phase, expected on 30 September 1986. PD is to be followed by national appraisals and decision on whether (a) to proceed to Development next year or (b) to pursue alternative options (eg national or US) which are currently being evaluated internally.

The project is not scheduled to be considered by EPC until early 1987, so that there are no approved national baseline estimates beyond the indicative costs currently being reported.

6. Harrier GR5

Prior to approval for the initial buy programme (1981)activity wholly concentrated on whether replacement for the Harrier GR3 should be provided by indigenuous development by BAe or as part of a collaborative programme by joining USG development of a second generation Harrier a/c. Development costs have increased largely because BAe did not have sufficient resources to fully examine both the above options and as a result underestimated certain aspects of the collaborative programme that emerged just over a year later. Part of the increase can also be attributed to a subsequent MOD decision to make BAe capable of assuming full design responsibility for the whole RAF aircraft rather than their part of the joint project. The staff requirement was originally for an ISD in 1986 but it was recognised that the target date might have to be adjusted when the procurement method was finalised. The revised ISD is 1988.

The decrease in the Production (Initial Buy), December 1979, estimate has resulted from a reduction in the contingency element of the estimate to reflect greater confidence following contract price negotiations. The total cost now estimated also reflects a reduction of 6 in the number of aircraft, compared to the baseline estimate for the production (second buy) approved in July 1984.

7. Nimrod AEW

The project was first endorsed in May 1977 since when it was re-submitted to Central Committees and Ministers in 1979 and again in 1983 following cost overruns and slippages in planned in-service dates. These were due primarily to significant technical problems with the Mission System Avionics being developed by GEC Avionics and shortcomings in GEC's management. Apart from the introduction of Air-to-Air Refuelling Capability in 1983, the requirement remains unchanged from that endorsed in 1977.

The future of the project depends upon decision by OD this autumn following evaluation of alternative options for meeting the RAF requirement. Until the way forward is decided it is not possible to set a realistic baseline estimate or to report milestones.

8. Trident Submarine

The staff requirement was endorsed by EPC in May this year and the baseline estimates relate to this approval. The build contract for the first submarine was placed in April.

Prime Minister
Agree that Robin Ibbs should proceed as at X?

SR14:PM13/10

Yes — should be very pleased if he would do so

PERSONAL

PRIME MINISTER

IMPROVING MANAGEMENT IN THE CIVIL SERVICE (See RTA's minute attached.)

N.L.W. 21.10.

In 1983 you asked me to advise on the general strategy for improving the efficiency and effectiveness of Government services, to run the scrutiny programme and to contribute to the series of lasting reforms launched in 1979. In the next two weeks I shall be sending you reports on the current scrutiny programme and my 1986 targets round.

There have been substantial achievements since 1979. The size of the service has been cut by 19%. Efficiency scrutinies have produced savings of about £1 billion and 22,000 posts. Top management teams in Departments have set up management and information systems; they are beginning to see that setting stretching targets can help them and their staff improve their performance. People working in the Civil Service now have a better idea of what they have to do and how much it costs.

This is a good record but there is still a long way to go. I do not believe that every civil servant yet has the necessary personal commitment to improving efficiency and management. They do not always have the right leadership from senior staff within their departments and from the centre. While there are notable instances of senior civil servants including many Permanent Secretaries using the new systems to drive through better management, there are still too many who do not. The inadequate commitment to performance related pay is an obvious example. You may recall my having told you before of one very senior civil servant who wrote to me "I am somewhat isolated, amidst an unholy alliance of Ministers and practitioners who find it much more comfortable to do without targets."

I think it is time to find out what more we can do to accelerate the change in management style throughout the Service. If you agree, the Efficiency Unit will talk to a number of Ministers and Permanent Secretaries on the "Next Major Step" - not systems but more action. They will concentrate on:

X

- the progress achieved in improving management in the Civil Service
- what measures have been successful in changing attitudes and practices
- the real nature of the major obstacles to better management and efficiency that still remain
- what the next step should be.

I would then come back to you early next year with my views.

I am copying this note to Robert Armstrong.

ROBIN IBBS

16 October 1986

GÖTTMACH
RAYNER

CCB/VP

Ref. A086/2970

MR WICKS

Improving Management in the Civil Service

ATTACHED

Sir Robin Ibbs has sent me a copy of his note of 16 October.

2. I agree with the assessment in the third paragraph of Sir Robin Ibbs's note; and I agree with him that we have to keep up the pressure for change in management style. So I welcome Sir Robin's proposal that the Efficiency Unit should talk to a number of Ministers and Permanent Secretaries on the next major step, on the lines that he suggests.

3. I think that it is not so much a matter of a major new initiative as of making sure that the profound changes that are under way stick and are extended round and down the Service. I doubt whether we need new procedures and practices; it is more a question of changing attitudes and making sure that changes in practices that have already been agreed are really carried through. But the Efficiency Unit's inquiry should help to see whether this is indeed a correct assessment.

4. I am sending a copy of this minute to Sir Robin Ibbs.

RTA

ROBERT ARMSTRONG

21 October 1986

VSCA/B1

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 October 1986

Multi-Department Review of Accommodation
Progress Report

The Prime Minister has seen Mr. Luce's minute of 19 September, and has noted the report which he enclosed. The Prime Minister feels that Ministers and Departments must attach significant priority to this Review, and hopes that all Departments will have completed occupancy audits and set themselves ambitious targets by January next.

The Prime Minister shares your Minister's concern that the working environment of many civil servants is still very shabby. She agrees that considerable improvements can be made in their working environment at relatively small cost, and that although there will be many competing priorities for the use of any running cost savings, opportunities to improve working conditions shall not be overlooked when they are cost-effective.

The Prime Minister looks forward to seeing the next report, and hopes that all Departments will have made significant progress by then.

I am copying this letter to Jill Rutter (Chief Secretary's Office) and Trevor Woolley (Cabinet Office).

ANDY BEARPARK

Michael Stark, Esq.,
Office of the Minister for the Arts.

885

PRIME MINISTER

MULTI-DEPARTMENT REVIEW OF ACCOMMODATION

At Flag A is a minute from Richard Luce covering a progress report on the Multi-Department Review of Accommodation. The Efficiency Unit have commented at Flag B and a note from the Policy Unit is at Flag C.

Mr. Luce suggests you approve the report and reduce the target for savings from £50m to £15 - £20m in 1988. This seems unnecessarily defeatist, especially as MOD, the largest department in London have not completed their survey.

Rather than you writing as Mr. Luce proposes, I suggest that I should write saying that you

- have noted the report
- deleting revision of savings
- stressing priority to be given to review
- making point about improvement in working environment
- stressing importance of all departments setting targets by January 1987

Content?

Yes

P.A. BEARPARK
10 October 1986

BM2AWF

C

PRIME MINISTER 10 October 1986

MULTI-DEPARTMENTAL REVIEW OF ACCOMMODATION - PROGRESS REPORT

This report indicates that some progress has been made, on the basis of departmental plans. However, it is not convincing when it argues that the estimated savings by 1988 should be reduced to £15-20 million compared with the £50 million suggested in the Report on Government Office Accommodation Management submitted to you a year ago. This suggestion is premature when several large Departments have not completed their surveys. MoD has the largest headquarters space occupancy in London (361,000 square metres probably some 30,000 people) and more elsewhere. Because it has so much accommodation it has had trouble in carrying out an occupancy audit started 2½ years ago! Until important Departments have completed this work, and it has been reviewed, it would be appropriate to maintain the existing apparently modest target; otherwise pressure for improved office management will be relaxed.

More pressure by the MPO to reduce expensive space occupancy in Central London would be desirable, following the example of organisations like the Crown Agents who have moved to the suburbs where rent and rates are lower. It may be that in some cases moves further afield, such as to the North East, might be achieved.

The exhortation to concentrate more effort on improving working conditions for civil servants should help with getting better day to day maintenance standards. There might be greater impetus in this direction if savings from occupancy reduction could be used for improvement. Many Government offices are, moreover, becoming increasingly obsolescent by commercial standards, particularly those built 20 to 30 years ago . A costed plan will be needed for their modernisation over a period of years in which Treasury, MPO and PSA would have to be involved. Rigid space standards for each Civil Service grade, higher than those in most equivalent outside posts, and outmoded furniture standards would need to be modified for this to be effective. It is understood that up to now, all available PSA funds have been spent on the Conference Centre; the completion of this may enable a start to be made on the much needed renovation of the Estate.

We recommend that:

a. With reference to the draft letter to Ministers, you should "note" the report but not "approve" it. The reference to the revision of £50 million savings to £15-20 million should be deleted.

b. You should press for greater priority to be given to these accommodation reviews, particularly as regards inner London property, and for the application of a more sceptical approach, where appropriate, to the results so that the forecast savings are, in fact, achieved.

c. Plans should be prepared for modernisation of the Government office estate over a period of years, involving Treasury, MPO and PSA.

David Hobson

DAVID HOBSON

GOUT MACH PL 21 ROYLS.

cc BG
cc
pps pu
B

MR A BEARPARK

ACCOMMODATION MDR: PROGRESS REPORT

Sir Robin Ibbs is in the United States but I have discussed the progress report on the Accommodation Review with him.

Progress in implementing the findings of the Review is disappointing. A reduction overall of 2% by 1988 is just not good enough. It is all the more disturbing that so low a target should be set even though only about 50% of departments have completed the occupancy audit recommended by the Report and not all of them have set space reduction targets.

Sir Robin's view is that it is up to Ministers to demand better progress than this. Implementation is not an easy task. It is only achieved where senior management insist on a sense of urgency, set stretching targets and ensure implementation as rapidly as possible. All departments should have completed occupancy audits and set themselves targets by January 1987 and existing targets should be reviewed to ensure that they are sufficiently ambitious. The Prime Minister can reasonably demand much better progress by the time the implementation report on this Review is put to her next year. It should include a clear statement of targets set and achieved in every department.

Kate Jenkins

KATE JENKINS
8 October 1986

GOVT MACH : PE RI Rayne.

010

CC BG (Letter only) A

David Hobson does have comments

pps pse

PDS 22/9

BF TSYIRTA

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

19 September 1986

MULTI-DEPARTMENT REVIEW OF ACCOMMODATION: PROGRESS REPORT

The central report of the multi-department review of accommodation, published in September 1985, recommended that Cabinet Office (MPO) should help progress and monitor implementation of the review and submit a progress report to you after 12 months. I now attach the report which has been prepared in response to this remit.

Pt. 18 ~~in Folder~~ attached

The report

2. The report draws on contributions from departments. It gives a picture of reasonably good progress:

- savings of nearly £2m have already been achieved, with more in prospect;

- departments representing half the office estate have set themselves targets averaging 4% for reductions in space use by 1988 or earlier;

- most departments have accepted all or nearly all the recommendations of the review;

- departments in general have made a positive start on collecting information and implementing the recommendations of the MDR which were directed towards management systems.

3. The much more detailed and soundly based information which has now been collected as a result of departments' work has shown that the MDR's original estimate of £50m savings by 1988 was over-optimistic, although justified by the limited evidence available at the time. That estimate assumed reductions of 5-10% over the estate as a whole. Departments' current plans for reductions of 4% over at least half the estate are based on the much firmer foundation of the occupancy audit results. They mean that a revised estimate of £15-20m by 1988 can now be made. Further savings are expected to come through after 1988 and when those departments which have not yet set targets are able to do so, but it is not possible to quantify these additional savings at this stage. It is a pity that the revised savings estimate is a good deal lower than we had expected, but the review's recommendations on setting targets and planning reductions have nevertheless served their purpose of stimulating action. Departments are to be commended on the progress which has already

been made, while every effort must now be directed to realizing the savings identified.

4. You asked for a further statement of savings after two years and I have therefore commissioned Cabinet Office (MPO) to continue to offer help and advice to departments and to make another report to you in 1987. This will also help to keep up the momentum in departments.

The working environment

5. You have asked the central departments to consider, among other things, the improvements which might be achieved in the working conditions of civil servants. I agree that improvements of this kind are one way in which we can try to remedy problems of poor morale. MPO and Treasury officials have discussed how to proceed. Work in this area is now carried out not only by PSA but also by departments under the delegations permitted in the Property Repayment Services system, which is to be extended from April 1987. It has not proved possible within current public expenditure constraints to provide additional funds specifically for this purpose or to increase departments' budgetary flexibility in this area. Nevertheless, the running costs regime and delegation of responsibility within departments under FMI will give departments and local managers more scope to apply available funds, according to their assessment of priorities, to improve working conditions or for some other purpose. The attached progress report shows how accommodation management is improving in departments. I am confident in the ability of managers and the new financial mechanisms to produce the correct balance between running costs expenditure in different areas, so long as overall funding is adequate. You may wish to encourage colleagues however to regard improvements to the working conditions of civil servants as a legitimate use of any savings in running costs within a year and within their target for total running costs and to take advantage of the new delegations under the Property Repayment Services scheme in doing so. We can look forward to the results emerging as MPO and Treasury officials continue to report on the success of our financial management policies.

Summary

6. I should be grateful for your approval of the progress report. If you are content, I suggest that you should circulate it to colleagues in charge of departments. I attach a draft letter for this purpose which also draws attention to the point about the working environment. Thereafter we would send it to the Treasury and Civil Service Select Committee, place it in the Library of the House and make it publicly available, although without any particular advertisement.

7. I am copying this minute to John MacGregor and to Sir Robert Armstrong.

Richard Luce

RICHARD LUCE

DRAFT LETTER FROM THE PRIME MINISTER TO MINISTERS IN CHARGE OF DEPARTMENTS

... I enclose with this letter a copy of the first progress report on the implementation of the multi-department review of accommodation, which I have approved. The report shows that progress has been made, but the information which has been collected on accommodation use suggests that the original estimate of £50m savings by 1988 must be revised to £15-20m. It is all the more important that the savings now identified should be realised on time. Ministers and senior management need to give a lead if the momentum is to be kept up. Cabinet Office (MPO) will make a further progress report to me in 1987 on the savings achieved by then.

I am concerned that the working environment of many civil servants is still very shabby. Considerable improvements can be made in the working environment at relatively small cost. There will be many competing priorities for the use of any running costs savings, but where it is cost effective to do so the opportunities to improve working conditions should not be overlooked. The increased delegations under the Property Repayment Services system offer departments the room to make such improvements.

GOVT. MACH: Rayner: Pt 21

Multi–Department Review of Office Accommodation

Progress report to the Prime Minister

by

Cabinet Office

(Management and Personnel Office)

September 1986

MULTI-DEPARTMENT REVIEW OF OFFICE ACCOMMODATION: PROGRESS REPORT TO THE PRIME MINISTER

The multi-department review (MDR) of office accommodation, published in September 1985, recommended that Cabinet Office (MPO) should help progress and monitor implementation of the review and submit a progress report to the Prime Minister after 12 months. This report fulfils that remit. The MDR recommended that during the first year:

- departments' priority should be to collect the facts on their office accommodation and set up information systems to handle them;

- the second year should see planning and budgeting systems put in place for the longer term;

- this action should start to lead to substantial savings, but these would take at least **three** years to build up;

- meanwhile departments should set improvements in hand aimed at spreading the good practice found by the MDR both in government departments and outside organisations to ensure that the accommodation resource was used effectively and efficiently.

SUMMARY

2. Departments have:

- rightly concentrated on getting the facts and laying the foundations of improved management systems;

- several also have impressive results to show for their space reduction initiatives (some of which predate the MDR);

- made savings of nearly £2m already with more in prospect, as shown in the table.

The overall improvement in space use is shown in Figure 1. In 1985/86 average space occupied per member of staff, a crude but significant indicator, began to come down for the first time since 1981.

3. This report draws some conclusions as to where further action should be concentrated. Meanwhile many of the report's suggestions on the framework of relationships between PSA, the Treasury and departments have been taken into account by the Interdepartmental Committee (IDC) on the Property Repayment Services (PRS) system. New arrangements to be introduced from April 1987 will give client departments and accommodation

SAVINGS AND COSTS TO DEPTS. £

	ANNUAL: FIRST YEAR 1985/86		ANNUAL: IN FIRM PROSPECT BY 1988		ONE-OFF
	Savings	Costs	Savings	Costs	Costs
CAB OFF	229,436		108,000		
COI	85,000		105,000		
C&E			197,357		315,328
DES			44,210		8,000
DE			380,000	20,000	52,600
DEn	804,000	100,000	240,000	30,000	70,000
DOE(C)/DTp	135,000		777,000		
FCO	243,000				
HMSO	475,000				
HO		355,668	29,506	761,979	
DNS	5,700		168,700		175,400
OPCS	143,000				
PGO	19,500				3,000
DTI	20,700		38,000	65,000	50,000
TOTALS:	2,160,336	455,668	2,087,773	876,979	674,328
NET SAVINGS:	**1,704,668**		**NET SAVINGS:**	**1,210,794**	

Note: Early savings have been partly offset by the initial costs of implementation. Many departments have not been able to quantify either costs or, in particular, future savings precisely, even where targets have been set, because plans have not yet been worked up in detail.

managers enhanced responsibilities. The work completed on implementing the MDR should help them to meet these new demands more effectively and more confidently.

PROGRESS IN THE FIRST YEAR

4. Departments have overwhelmingly accepted the recommendations of the report. All except three have prepared action documents and are currently working through them. One other has not contributed a progress report to this summary. Annex A shows the current stage of the review's implementation Servicewide. Annex B summarizes progress on the recommendations of the departmental studies which contributed to the review.

Information Systems and Savings

5. The original review recommended both occupancy audits and the setting of targets for space reductions, at first on an interim basis and then after full consideration of the facts of space-use. Occupancy audits show where space occupied is out of line with need. Most departments have made substantial progress with their occupancy audits:

- 11 have completed their audit;

- 11 have completed 50-90%;

- only 5 have completed less than 50%. 3 very small departments are not conducting an audit because they are confident their records are up to date.

6. On the basis of the facts they now have on their space-use:

- 12 departments have set themselves firm targets for space-use by 1988, ranging from containing increases in staff within current occupations (PGO) to reductions of 10% (DTI - by 1987);

- 6 more have set themselves interim targets for 1986;

- 9 have delayed setting any target until they have the results of their occupancy audits.

7. Some departments deserve special mention. For example in DEn space savings are as below (base date for savings is 1/4/85):

	Space savings at 1/4/86	Space savings in prospect
Sq m	3,820	1,477
£	804,000	240,000
%	13.0	5.0

When DEn moves to its new HQ it will be able to make additional savings as follows:

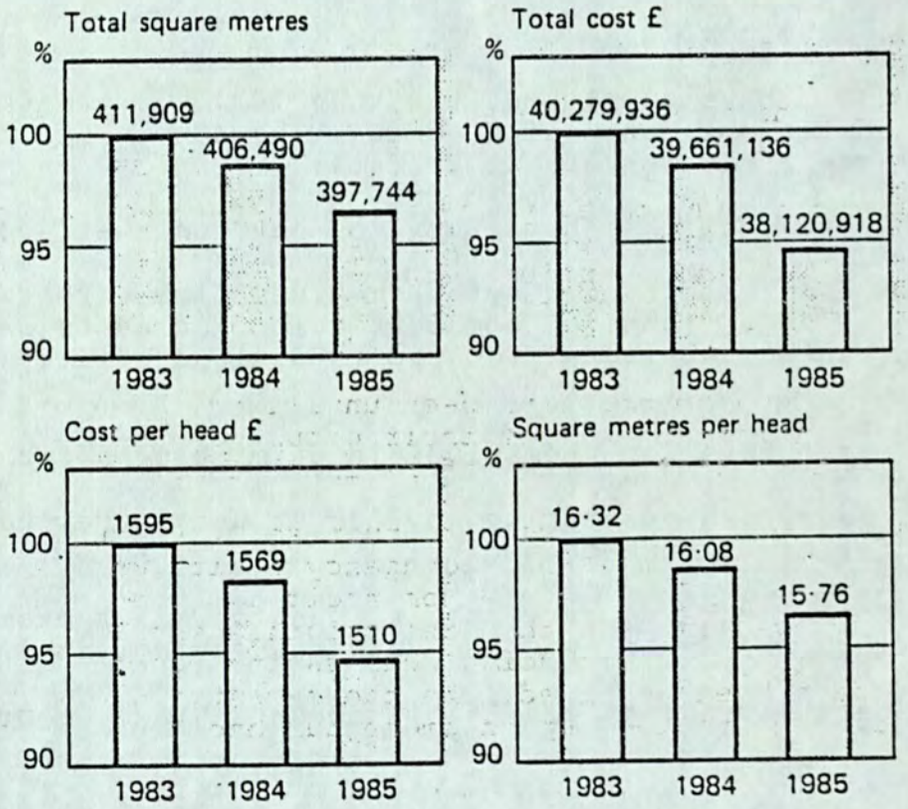
Sq m	6,039
£	not yet quantifiable
%	28.0

8. Those departments which had already established the facts about space use prior to the review tend to be well in advance in getting rid of spare space, demonstrating the importance of full information. Some have taken up about as much slack as they are able. For example:

- since 1979 the SO has given up 17 properties in Edinburgh totalling 11,000 sq m representing nearly 7% of its estate at the time and a saving of about £1m at current prices;

- C&E has made the following reductions in recent years:

Reduction in accommodation in Customs & Excise



- DOE(C)/DTp had made substantial progress in reducing space occupied in London before the review. This resulted in a saving of nearly £4m pa and a reduction in the number of buildings occupied from 11 to 4.

The current picture of the scope for savings

9. On the basis of the evidence then available, the MDR envisaged that reductions in space of between 5 and 10% would be achievable across the estate over three years. So far departments representing 50% of the estate in space terms have set themselves targets for reductions by 1988 or earlier averaging 4%. Departments representing 25% of the estate have set themselves a target of no change. Figure 2 shows the make-up of the target reductions in more detail. On this evidence an estimate of 2% savings over the estate as a whole can be regarded as reliable and achievable by 1988. On the rough-and-ready basis of the original MDR report, making assumptions about the location and quality of buildings given up, this would represent about £15-20m.

10. The revised estimate is lower than that in the report. There are a number of reasons for this:

- the much fuller and more soundly-based evidence of space-use gathered by departments has shown that the MDR's original estimate of achievable space savings was over-optimistic, although justified on the limited evidence available at the time;

- the original three-year timetable has had to be revised, partly because of the initial effort involved in carrying out occupancy audits and planning reductions and because of the under funding described in paragraph 11. Further savings will come through after April 1988;

- many departments have been unwilling to set targets without firm information from their occupancy audits. Any estimate at this stage is therefore incomplete.

The 5-10% estimate has served its purpose of stimulating departments to complete their occupancy audits and set targets. Departments are to be commended on their efforts even though the emerging savings are less than the original estimate. The fact remains that they are producing real savings that would not otherwise have been achieved. At the same time, every effort must now be made to keep up the momentum and hit the targets set on time.

11. Some departments have seen the opportunities for rationalisation hindered by lack of PSA funds for works necessary to make space saving changes. Specific examples are:

- shortage of funds means that the colocation of DTp

Harrogate staff at the Regional Office in Leeds will not now take place before 1987/88, deferring savings of £59,000 a year;

- COI fear that the vacation of a floor in their Hammersmith building will be delayed from 1986 to 1987 through PSA's inability to do necessary work, deferring savings of £105,000.

12. Some departments' occupancy audits have confirmed that their staff are overcrowded and that more space is needed. For example:

- IBAP's occupancy audit has confirmed that it has 15% less space than it needs and it has consequently set itself a target of reaching its minimum requirements for the longer-term efficiency of its staff;

- HO occupancy audits have confirmed the need for more space to accommodate recent and further prospective increases in HQ staff in post.

One of the themes of the original review was that the working environment of civil servants should not deteriorate further. Every effort should be made to get rid of wasted space, but it is important that where overcrowding exists it should be remedied.

Computerisation

13. The report recommended that central accommodation managers should evaluate the costs and benefits of computerised information to handle accommodation data and should draw up firm plans for the management of accommodation information based on the conclusions. MPO organized a seminar for accommodation managers in February at which those who had already made progress in this area were able to share their experience with those who were only at an early stage. The options covered ranged from complex systems linked to budgeting and personnel systems to very simple microcomputer applications suitable for smaller departments.

14. Progress on information management is as follows:

- 19 departments have now completed their evaluation of the need for computerised systems; of which

- 10 have systems in place;

- 9 are in the process of installing them.

Accommodation staffing policy

15. The review found that although many able and experienced

staff were working on accommodation, it did not always enjoy the priority it ought as an important area of resource management in departmental posting policies or in the eyes of staff in general. There have since been some notable successes in raising the status and quality of accommodation staff in a few departments:

- DE seconded a Management Trainee to its Property Management Unit as part of her training;

- IR has designated a developmental post for an HEO in its central accommodation section.

AREAS WHERE WORK REMAINS TO BE DONE

16. Only the two recommendations shown below cause difficulties to more than one or two departments. Even here not all departments experienced problems.

Statements of accommodation managers' roles and responsibilities and service agreements with line managers

17. About 50% of departments have taken this recommendation in their stride and the other half have been unenthusiastic. Defining roles and responsibilities has caused fewer problems and has been particularly welcomed as the job of the accommodation manager develops along with the increased PRS delegations to be introduced in April 1987. Some departments have chosen to delay introducing formal statements until they are better placed to plan for the practical effect of the changes.

18. Service agreements with line managers proved to be more tricky. The intention was to provide mutual clarification of responsibilities of both accommodation and line managers and to ensure by liaison together that the service provided by accommodation managers was the optimum considering both resources available and the needs of line managers. Problems seem to have arisen in the following areas:

- some accommodation managers saw service agreements as making themselves hostages to fortune;

- the wording of the recommendation may have implied something of a quasi-contractual nature and more formal and finely tuned to individual line managers than was intended;

- in practice it has turned out that the needs of individual line managers within the same building are not very different one from another.

19. If the original intention of the recommendation is re-examined none of these problems is insuperable, and indeed

several departments have overcome them:

- if managers do make unreasonable demands they should be demonstrably so by reference to other managers' needs working under similar circumstances;

- if the services provided by accommodation managers are well-publicised then an agreement with line managers is implied;

- in the Cabinet Office for example the Office Services Division, which includes accommodation management, has made its own internal arrangements for defining roles and responsibilities and is setting up a programme of meetings with line managers to align the service more closely with their needs.

Performance Indicators

20. No department disagreed in principle with performance indicators for accommodation management. The main problems were:

- many accommodation managers had not used performance indicators before and distrusted them because they did not understand their use;

- simple difficulties of collecting the information needed to compile performance indicators.

21. As occupancy audits are completed and information systems established the problem of data collection is diminishing. In order to keep the need for extra information to a minimum, departments have tended to opt for indicators which consist of comparisons between two practical aspects of space use, for example space per head or cost per head:

- on space per head and deviations from the standard, HO have worked out performance indicators for line managers, local accommodation managers and central accommodation managers using the same data at different organisational levels;

- DE have prepared what they call resource monitors which "are not to be used as league tables. They are intended to be used to provoke questions about differences between unit costs";

- DHSS is piloting a system of unit costings during the 1986/87 financial year.

Examples of DE resource monitors in the accommodation field are:

- accommodation cost per member of staff;

- staff space per member of staff;

- gross space per member of staff;

- supplies cost per member of staff;

- housekeeping and maintenance cost per member of staff;

- cleaning cost per member of staff.

22. As departments and managers gain experience of the use of performance indicators for accommodation the perception of them should change. They should be recognized as tools to assist in improving management systems rather than measures of individuals' performance.

23. MPO has agreed to examine examples of best practice and to provide guidance to departments on these issues.

Guidance and training

24. Many departments stressed that they were still very much dependent on PSA for advice and, especially, training. The PSA's new guide "Managing Works" designed for departments opting for the so-called standard option has been widely welcomed: it takes account of the review's stress on planned maintenance. In the training field, apart from its short courses for energy managers, which have been very successful, courses for accommodation managers run by PSA Training Division tend to be over-subscribed. But not all departments are able to organise their own training. This is an area where further work needs to be done by all those involved - departments, PSA and MPO - so that training provision is brought into line with need. PSA's Training Division is already planning a further series of short courses to help departments cope with their new responsibilities: they are expected to start in November this year.

THE CENTRAL DEPARTMENTS

25. Most of the review's recommendations were for action by line departments. Some were however primarily for PSA, two were for Treasury and one was for MPO. The reponse from the central departments has been very positive: all the recommendations for them have been accepted and most have already been fully implemented. Work is in progress on others. A detailed account of the responses by the central departments is at Annex C.

ENERGY EFFICIENCY

26. The Prime Minister asked that, although the review made no formal recommendations about energy efficiency, its suggestions in this area and in particular for the appointment of Energy

Managers should be followed up as if they were firm recommendations.

27. 25 departments have by now appointed Departmental Energy Managers (DEMs) with varying amounts of time to devote to the job not necessarily related to the size of their fuel bill. Their task is to formulate and be responsible for their department's energy efficiency drive and to monitor the results of initiatives against the targets they have set.

28. The main strands of action have been:

- DEMs representing over 90% of the civil estate bill have attended PSA's training course and regular seminars are planned for the future. DEMs have sent a comprehensive energy management guide (produced by PSA) to all their accommodation managers;

- over 1200 accommodation managers attended PSA's half day courses in the first 6 months of 1986 and more will follow;

- some departments have produced policy strategies for energy efficiency;

- energy managers are increasing awareness through imaginative techniques such as competitions and quizzes and by poster campaigns, office notices, stickers and so on;

- PSA is producing quarterly summary printouts which include information on cost and consumption and is encouraging departments to collect regular information on consumption.

29. The main priorities now are:

- to introduce effective monitoring and targeting. PSA have provided advice on how this should be done;

- for PSA to provide more detailed breakdowns of energy consumption costs including in particular details of maximum demand. The IDC on PRS is working on this;

- to clarify the exact division of responsibilities between PSA and departments, especially in the matter of funding spend to save measures. PSA has this in hand.

30. Meanwhile there are already successes to report:

- DEn saved nearly 10% on its electricity bill in 1985/86 by a variety of low-cost measures;

- DOE(C)/DTp are optimistic that their recently appointed DEM will produce savings in excess of £200,000 in respect of fuel

bills for this financial year. They have also commented that the spirit of competition engendered by the regular meetings of DEMs will be of great benefit to departments.

TRADE UNION SIDE COMMENTS

31. Two meetings have been held with the CCSU since publication of the central report. The CCSU prepared a written commentary on the report (attached as Annex D) which has been circulated to departments. In addition to the bilateral meetings with CCSU the MDR has been discussed at meetings of the Joint Committee on Accommodation on which MPO is represented.

CONCLUSION

32. The evidence in this report demonstrates that departments are building up the necessary information and management systems to ensure continued good management in the longer-term. Savings are starting to come through, although more slowly than expected. The original estimate of total savings by 1988 has had to be revised, for good reasons, to £15-20m. Action is needed now to keep up the momentum and maximise the benefits from departments' investment so far. We therefore recommend:

- that Cabinet Office (MPO) should continue to offer help and advice on implementation when requested by departments;

- that a further progress report should be made to the Prime Minister, in accordance with her wishes, in 1987.

Julian Moore
Eleanor Goodison
Andrew Flindell

September 1986

Figures

Figure 1

Home civil service accommodated on office estate and size of office estate

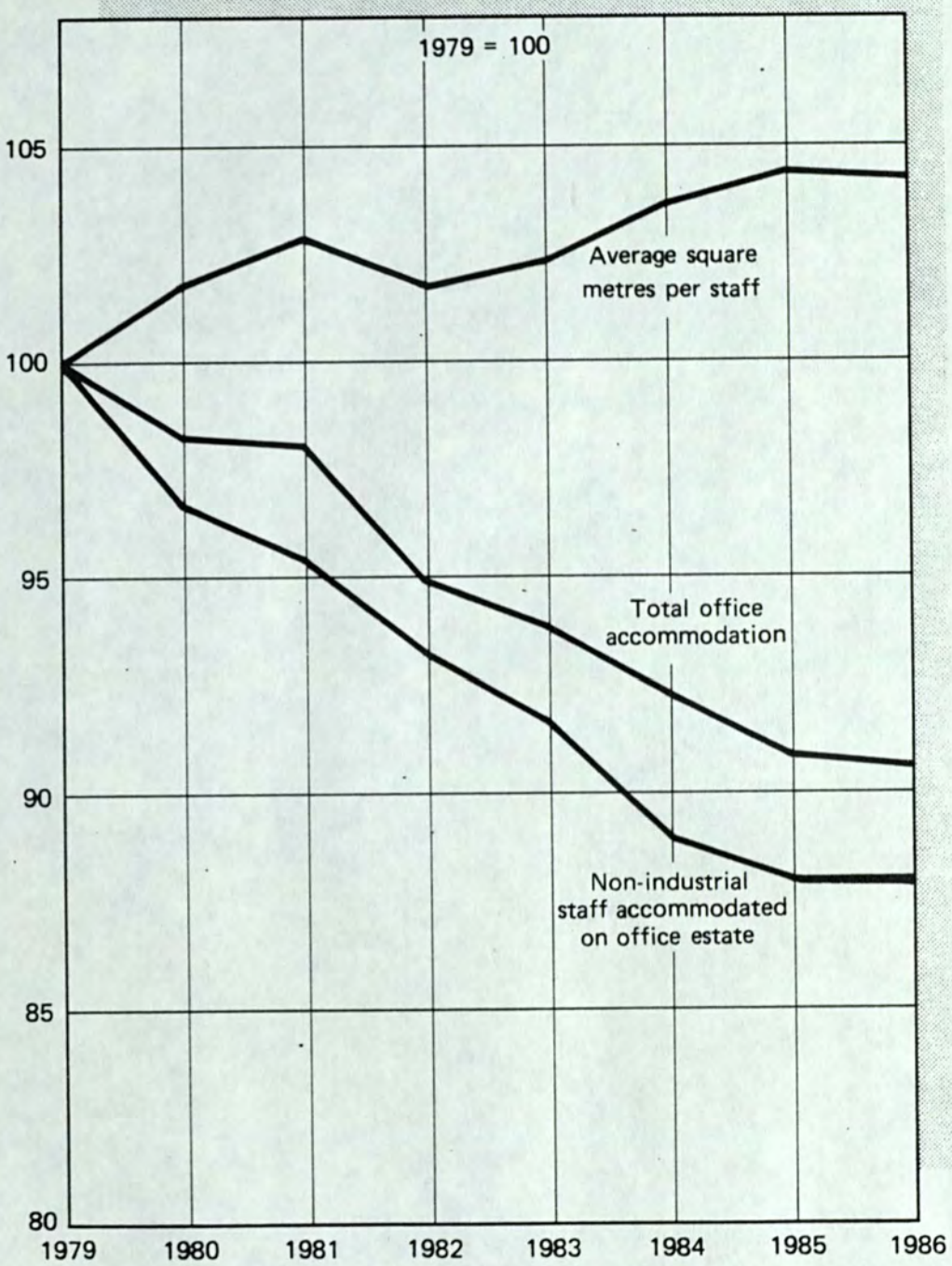
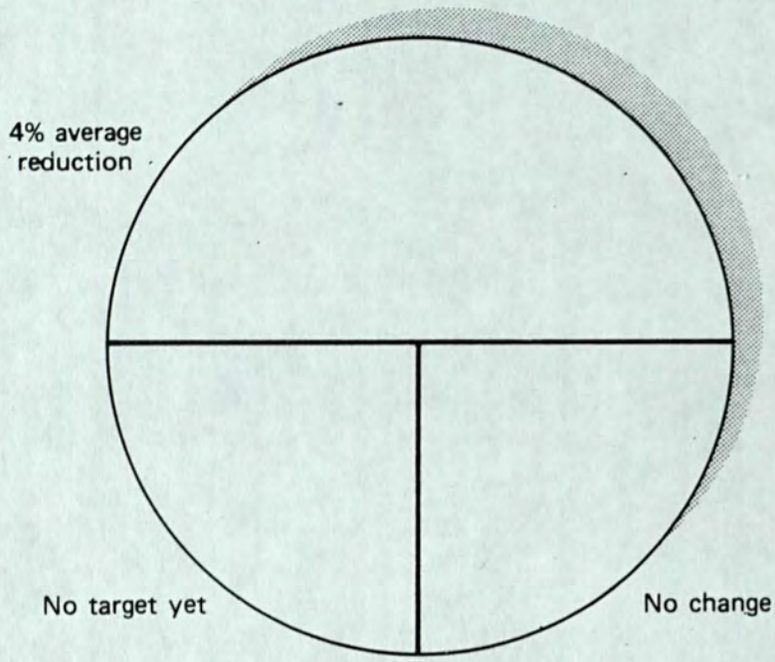


Figure 2

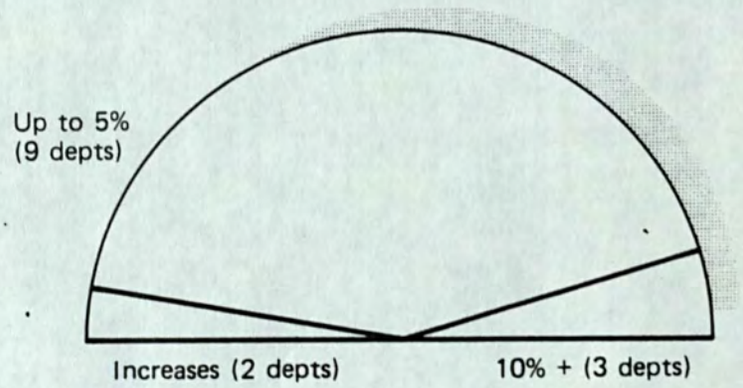
Targets set

(by share of the office estate)



Make - up of 4% average reduction

(by share of the office estate)



Annexes

11

ANNEX A

SUMMARY OF DEPARTMENTAL RESPONSES TO CENTRAL REPORT

We recommend (1) that PFOs in departments should have the following arrangements in operation by 1 April 1987:

-budgeting, as a separate item, the cost of space in excess of space standards; and

- accounting systems to monitor spare space, inform budget holders of its cost and help trigger its release to the central accommodation manager.

(Implemented by 4 departments; partially implemented by 9 departments; deferred by 13 departments; not accepted by 1 department. NB 4 small departments provided summary action plans and progress reports which are not included in these figures.)

Departments:

- recognize the value of making line managers aware of accommodation costs;

- sometimes consider that full delegated budgeting is going too far as the line manager does not have the accommodation manager's flexibility in using, taking on or disposing of space. This is particularly so in small headquarters departments where many cost centres may be housed in one building. For example, in Energy the central accommodation manager is responsible for excess space costs. His central position allows for a more efficient rationalisation and identification of viable units for disposal to PSA;

- other departments have been able to make a start. PSA introduced trial budgets in April 1986 for the space it occupies itself in 2 HQ Directorates and 1 Region;

- in Cabinet Office budget holders in the main are required to bid each year for the area and cost of accommodation they plan to occupy. Computerised information is at present held showing the size of rooms, the number of people (together with grade) occupying the room and the branch to which the room is allocated. PSA space standards for individual grades are held on a separate file. MPO are currently discussing with their Information Technology Branch how best to produce a linking report to show divisional accommodation holdings together with their over/under allocation according to PSA space standards. Notifying budget holders of spare space costs and over-allocated space costs will be possible once the linking report mentioned above has been tried and tested.

We recommend (2) that departments should consider including accommodation management as part of the effective use of resources in the revised guidance notes they are now preparing for reporting officers.

(Implemented by 16 departments, partially implemented by 1 department, deferred by 9 departments, not accepted by 1 department.)

Departments accepted that the staff appraisal system should recognize:

- the role of line managers in accommodation management;

- the contribution that their good management of accommodation can make to the overall value for money of the department's operations; and

- accommodation's importance as a resource.

Most departments have accordingly implemented this recommendation in drawing up guidance notes on the new staff appraisal system.

We recommend (3) that central accommodation managers should issue guidance on planned maintenance, based on the PSA "Minor Works Handbook" to local accommodation managers by 1 April 1986 with instructions to draw up plans and timetables for implementation in 1987-88.

(Implemented by 9 departments, partially implemented by 9 departments, deferred by 9 departments.)

PSA have circulated "Managing Works" a comprehensive and practical guide to accommodation managers on handling the increased PRS delegations to be introduced from April 1987. Many departments consider it will be sufficient as guidance to accommodation managers. The desirability of good local liaison with PSA DWOs has proved itself - not only so that accommodation manager and DWO schemes do not clash but also so that the experience and knowledge of the DWO can be put to best use. Examples of action include:

- the DWO and ODA have agreed the maintenance plan for Eland House which should meet ODA needs before relocation;

- SO have appointed a Building Maintenance Manager;

- in November 1985 PSA introduced on repayment terms a new 5-day course on property maintenance which has proved to be very popular.

We recommend (4) that, by 30 September 1985, the head of the central accommodation division should have drawn up, in consultation with local accommodation managers, a statement of their roles and responsibilities; and that, by 1 April 1986, local accommodation managers should have prepared and agreed with line managers in the buildings which they service, an agreement setting out the level of service line managers can expect and the responsibilities of line managers in respect of such things as due notice etc.

(Implemented by 3 departments, partially implemented by 11 departments, deferred by 12 departments, not accepted by 1 department.)

Paragraphs 16-19 of the main report discuss this recommendation in detail. Examples of action include:

- the Treasury, which has five main locations and an accommodation organisational structure to match, needed first to define the respective responsibilities between the central accommodation manager and the other Treasury businesses who have autonomy in accommodation matters;

- the DEn accommodation manager has publicised specific standards for housekeeping, maintenance, decoration etc and these standards will be monitored in the outstations by users.

We recommend (5) that all large departments put plans in hand by 1 April 1986 for both physical and financial medium term budgeting for accommodation.

(Implemented by 13 departments, partially implemented by 4 departments, deferred by 4 departments, not accepted by 6 smaller departments.)

This recommendation has fitted in with most large departments' planning and budgeting arrangements.

We recommend (6) that PEOs in all departments, in preparing development plans for able staff, should ensure that some officers with high potential spend some time in accommodation work; and that expertise in accommodation is retained and developed.

(Implemented by 22 departments, partially implemented by 4 departments, deferred by 1 department.)

Departments appreciate the value of having able staff in accommodation work but they are also aware of the demands for able staff which naturally arise from other high priority areas of work. The WO approach is typical. Whilst unable to give any particular priority to accommodation work, they will seek the best match between the differing demands of the work of the department and the staff resources available. There are also better examples of positive action:

- DTI's Management Development Programme to identify and advance internal talent will cover accommodation work;

- in ECGD the career plan for faststreamers already accentuates resource management. Accommodation will now be given greater emphasis than before;

- among numerous departments who accept the need to retain and develop accommodation management skills, DE say that "the importance and significance of property management is now widely acknowledged across the Service and many able staff see the work as presenting a stimulating and challenging career opportunity." (Further comment in paragraph 15 of the main report.)

We recommend (7) that departmental training divisions, where necessary in consultation with PSA and MPO Training Division, draw up a programme of training for both central and local accommodation managers by 1 April 1986.

(Implemented by 19 departments, partially implemented by 5 departments, deferred by 3 departments.)

Comment on this recommendation is to be found in paragraph 24.

We recommend (8) that, by 1 April 1986, the head of the central accommodation division, in consultation with local accommodation managers, draws up performance indicators (and targets for improvements based on these).

(Implemented by 5 departments, partially implemented by 6 departments, deferred by 15 departments, not accepted by 1 departments.)

Comment on this recommendation is contained in paragraphs 20-23 of the main report.

We recommend (9) that, when new proposals including the number and siting of staff are being put forward, the initiating officer should always set out the accommodation consequences following consultation with the central accommodation manager. In view of the importance we attach to the need to demonstrate value for money is being obtained in all location decisions, we recommend (10) that any proposal to move the location of offices is subject to a full investment appraisal by the accommodation manager in consultation with PSA and that, wherever possible at least one option involving a suitable location outside a city centre should be considered. Where a case for relocation is accepted on the basis of efficiency savings, the Accounting Officer should require the head of the division moved to provide an annual statement for the three years after the move showing, on the basis of the criteria set out in the original investment appraisal, how greater efficiency has been achieved, and we so recommend (11).

(Implemented by 26 departments, deferred by 1 department.)

These recommendations have commanded general acceptance. They are all concerned with ensuring that planning for accommodation needs is not neglected, including a due recognition for the financial consequences of changes. Examples of action include:

- PSA, for its "domestic" accommodation, issued an internal instruction which pins down who is responsible for what;

- OPCS has appointed an accommodation manager to the 1991 Census Resources Management Group;

- the specialist Investment Appraisal section in C&E is reviewing the accommodation manager's instructions on investment appraisal for new accommodation.

We recommend (12) that all central accommodation managers, in consultation with line managers, should develop an accommodation strategy by 1 April 1987.

(Implemented by 14 departments, partially implemented by 4 departments, deferred by 9 departments.)

Strategies, which are still being developed in many departments, vary in degree from broad and non-specific guidelines on planning to fairly intricate and detailed plans for rationalising individual offices:

- part of DE's range of strategy statements is "to provide accommodation to meet management's operational requirements as cost-effectively as possible in line with agreed central standards and guidelines." This sort of strategy is intended to provide a useful yardstick to judge specific actions on the accommodation front;

- MOD's strategy for rationalising its HQ accommodation in Central London deals with individual buildings and forms a basis for joint forward planning with PSA;

- C&E's policy in the regions is close small excise offices and relocate them in VAT offices. Detailed rationalisation plans are being drawn up in conjunction with PSA in each Collection for consideration by Higher Management.

We recommend (15) that accommodation managers in departments should be charged with carrying out a full occupancy audit of all departmental office accommodation by 1 April 1986; that by the same date they draw up arrangements for maintaining these records; and that these arrangements should require a full occupancy audit at least every five years.

(Implemented by 11 departments, partially implemented by 11 departments, deferred by 5 departments.)

Following liaison with MPO, PSA issued guidance to all departments in October 1985 on how to carry out an occupancy audit and what facts and figures to collect. The guidance covers the minimum of occupancy audit information needed for departments to pass on to PSA, to enable it to carry out its estate management role, and for departments to plan their space use efficiently. Most departments' action has been on the following lines:

- many were unable to complete their occupancy audits by 1 April but are finishing them now;

- most gave priority to the larger and more expensive properties situated in city centres;

- some found the effort involved burdensome. C&E is investigating the potential for transfering information on disc, rather than manually, from its micros in the regions to HQ;

- DTI will review the need for a five year occupancy audit cycle in the light of developments in its Physical Resources Management Information System (PREMIS) which should be able to keep regularly and easily maintained records;

- PSA have used information about furniture additional to standards to make reports to occupying managers more punchy and effective, in one case identifying excess furniture costing £100,000 a year.

We recommend (16) that, by 1 April 1986 the central accommodation manager should evaluate the costs and benefits of computerised information to handle accommodation data and should draw up firm plans for the management of accommodation information based on the conclusions.

(Implemented by 19 departments, partially implemented by 1 department, deferred by 7 departments.)

For comment on this recommendation see paragraphs 13-14 of the main report.

We recommend (17) that as a matter of course the local accommodation manager should advise the District Estates Surveyor of the results of occupancy audits.

(Implemented by 24 departments, deferred by 3 departments.)

This recommendation has caused difficulties for very few departments and is already being put into practice in most.

We recommend (18) that where accommodation managers, in co-operation with line managers, are reviewing their needs within a building they consult PSA (and other accommodation managers) at an early stage to determine their objectives in terms of size and location of blocks which could be given up.

(Implemented by 25 departments, partially implemented by 1 department, deferred by 1 department.)

This was accepted as sensible practice by all departments, although one declined to approach other departments direct and preferred to liaise only through PSA.

We recommend (19) that line managers should be given full details of the occupancy audit of the space they occupy.

(Implemented by 22 departments, deferred by 5 departments.)

Departments are implementing this recommendation as they complete their occupancy audits.

We recommend (20) that, by 30 September 1985, all departments set interim targets for space reductions to be achieved by 30 September 1986; and that, in the light of the occupancy audit and by 30 September 1986, they set revised targets for reducing space used by 30 September 1988 together with a plan for achieving the reductions including milestones to measure progress.

(Implemented by 12 departments, partially implemented by 6 departments, deferred by 9 departments.)

A number of departments have been able to set interim targets but some felt they needed the results of their occupancy audits before setting any target at all. Many occupancy audits have not been completed on time and so the timetable on this recommendation in particular has slipped by several months in many cases. Further details of departments' targets are to be found in paragraph 12 of the main report.

We recommend (24) that those departments not already represented on the IDC (C&E, DEn, DTI and DOE(C)/DTp) be invited as members at least until 1988.

Fully implemented at once, allowing these departments to make an important contribution to the proposals for the development of the PRS system now agreed.

ANNEX B

SUMMARIES OF RESPONSES TO DEPARTMENTAL REPORTS

This annex is based on Annex C of the MDR report which summarized the departmental reports making up the original review. It gives an account of action on the main recommendations of each departmental report and a comparison of the space savings achieved with those identified. It does not deal with the wider issues raised by the departmental reports which have been followed up by the Interdepartmental Committee on PRS.

CUSTOMS AND EXCISE
MAIN RECOMMENDATIONS

Annual review of the working environment in offices, together with an additional £0.75 million to improve matters:

- internal review has identified sub-standard accommodation & where shortfalls on PSA's Part II programme are causing problems;

- £0.75 million included in PES bid.

Centralisation of accommodation work in the Collections:

-Collection/HQ accommodation managers appointed.

Various measures to improve management of accommodation (including the introduction of performance measures):

- contacts established with PSA at HQ & Collection levels;

- prioritising & aggregating PES bids for critical scrutiny;

- increased delegation for local supplies purchases;

- trial of computerised procurement procedures;

- training needs identified (although concern about resource implications).

Delegation of responsibilities for specifying accommodation needs and mangement of space:

- complete.

Investment appraisal of new works and new accommodation:

- specialist IA branch set up;

- IA limited to works over £1,000.

SPACE SAVINGS

10% reduction in space recommended, worth £4.5 million a year:

A 2% target for reduction in space for September 1986 has been set. There has been an increase in staff for drug enforcement work and increases in staff in London and the South East which will make it difficult to release space. However no firm long term targets can be set until occupancy audit data has been loaded on the accommodation micro and individual Collection estate strategy reports have been received.

DEPARTMENT OF ENERGY
MAIN RECOMMENDATIONS

Location decisions to be based on financial appraisal, operational need and scope for nationalisation:

- all these factors considered in the planning process for the new HQ;

- also to be considered if the Aberdeen outstation has to move.

Space to be used more effectively:

- quarterly divisional occupancy audits and computerised annual departmental occupancy audits;

- database of accommodation information;

- review of efficiency gains.

Various steps to be taken to improve energy efficiency:

- DEM appointed;

- 10% cut in electricity bill 1985/86;

- quarterly reports to Secretary of State on Energy Action Plan;

- house liaison committees with major occupants in Scottish outstations;

- energy management notices distributed;

- energy efficiency competition;

- electricity consumption monitored and wasteful practices identified;

- liaison with landlords and PSA.

Improved budgeting for space occupied:

- line management occupancy audits to include costs;

- excess space & its costs the responsibility of central accommodation manager in this small, 90% HQ department;

- satisfactory internal audit report on PRS & then full audit in Long Term Plan.

Improved Planning for Accommodation:

- 3 year accommodation strategy;

- planning for new HQ with private sector advice;

- Management Information System requires medium term accommodation planning;

- Joint Planning and Liaison meetings with PSA.

Service agreements between accommodation management and divisions to improve liaison:

- specific standards for housekeeping, maintenance, redecoration, lavatories, etc;

- standards to be monitored;

- consultation with staff.

SPACE SAVINGS

Occupancy audits in London headquarters and smaller offices at Aberdeen, Leicester, Glasgow and Leeds. In London Headquarters an excess of usable office space, out of 12882 sq m, of 2787 sq m at the maximum and 4658 sq m at the minimum, worth £400,000 and £666,00 respectively.

DEPARTMENT OF EMPLOYMENT
MAIN RECOMMENDATIONS

Establishing a Property Management Unit (PMU) to rationalise current accommodation responsibilities:

- achieved May 1985. The PMU has been based in the Unemployment Benefit Service and comprises a Principal, SEO and 3 HEO/EO teams. Each has set objectives e.g. training, computerisation, budgeting etc. as well as a regular liason role with 3 of the 9 DE Regions and an HQ complex.

Increasing resources on accommodation policy and management:

- achieved. Additional grade 6 time, retention of an existing SEO post at the DE Watford HQ and authorisation of posts to man the PMU.

Improved financial monitoring and control of PRS:

- the PMU and accommodation section's micro-computers will help provide a more accurate reconciliation of the DE Estate against the 1986/87 PSA Accommodation Charge;

- fuel costs are now separated from the accommodation charge; the PMU is urgently pursuing the possibility of re-directed billing with PSA;

- guidance on keeping uniform records of expenditure committed but not yet brought to account for reference and audit purposes has been issued by the PMU;

- levels of authority to approve House Keeping Maintainance and supplies expenditure are actively being reviewed by PMU and where appropriate increased.

Improved management information systems:

- a uniform micro-computer based record keeping system has been designed and installed by PMU in each DE Region's accommodation section and their London and Watford HQ's;

- information is sent to the PMU by floppy disc to enable a national Estate Register of all properties in which DE has an interest to be monitored. The system will also be able to monitor other accommodation business e.g. telecomms and occupancy data.

Improved training and guidance:

- The PMU intends presenting a pilot accommodation managers course in October 1986 for staff in two DE regions. Two other regions are considering plans to design their own pilot courses. The aim is to replicate the courses in the other five DE regions;

- over 250 DE staff have attended the PSA sponsored 1 day energy management seminars. Pilot Health & Safety courses for management are being commissioned at Loughborough and Keele Universities and will run throughout the Autumn of 1986.

Developing and monitoring an accommodation strategy, including tighter objectives, better performance indicators and better forward planning:

- a range of strategy statements linked with work on performance indicators and built into DE's Senior Management Group Review System is being developed. A specific strategy has been devised for telecomms. They are also developing an improved strategy for the Unemploment Benefit Office Expansion Programme;

- the computerisation of accommodation information will enhance the prospect of drawing up accurate and useful performance indicators - both inter and intra regionally;

- a range of resource monitors to help managers put their budget bids in perspective has been devised.

SPACE SAVINGS

- occupancy audit work is well underway both for the Regional network and HQ buildings. The results will bring to the centre (PMU) any space surpluses. Such surpluses are expected to be small and not viable in PSA terms.

DEPARTMENT OF THE ENVIRONMENT(CENTRAL)/DEPARTMENT OF TRANSPORT MAIN RECOMMENDATIONS

Space used to be reduced by rationalisation studies and other measures:

- rationalisation a continuous process in larger buildings;

- computerised space efficiency audits in 1987/88.

Improved planning, through taking account of accommodation implications of policy proposals at an early stage:

- regular returns of complement changes to central accommodation manager;

- regular liason between Under Secretaries and accommodation manager.

Development of performance measures and targets for achievement, together with incentive schemes:

- computerised accommodation system to provide analyses of information suitable for measuring performance and setting targets;

- budgetary incentives to release space proving a difficult area.

Departments' management information systems to include relevant accommodation information:

- implemented for both Ministerial (MINIS) and line management information systems & to be incorporated in the Management of Administrative Expenditure (MAXIS) System;

- accommodation financial data featured in management accounts of parts of the Departments run as separate businesses.

Better training of accommodation managers together with the appointment of better quality staff to such posts:

- DOE/PSA/DTp Training Division is developing a new course for staff in DOE and DTp. Shortage of trainers may be a problem but it is hoped that the new course will be run throughout 1987;

- pressure to appoint high calibre staff having a noticeable effect; one office services manager post (SEO level) has been nominated for the developmental scheme.

Accommodation managers to be involved in bidding for budgets:

- introduced for 1986/87 financial year.

SPACE SAVINGS

Scope for more efficient use of space in opening up cellular

accommodation and more room sharing. Some local recommendations for saving space worth over £900,000 a year:

Room sharing by Principals and SEOs is becoming more common. Need for partitioning is always reviewed during reorganisations. A new main London building is almost without partitions and although reaction has been mixed, is generally considered to be a success. On specific suggestions, a micro-filming feasibility study to release space in Traffic Area Offices will report in the Autumn and space to the value of £151,000 pa has been released to PSA in Marine Examinations Centres.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
MAIN RECOMMENDATIONS

Designation of a focal point in headquarters for accommodation matters:

- Departmental Standing Committee on Accommodation formed out of erstwhile ad hoc PRS Working Party, chaired by central accommodation manager.

Consideration of the accommodation consequences of the social security reviews:

- preliminary indications/accommodation requirements have been formulated and PSA apprised;

Make more efficient use of space by a number of means, including annual calculation of accommodation requirements in local offices:

- annual returns of accommodation requirements, linked to occupancy audits;

- accommodation requirements to be estimated with all project proposals.

Other recommendations designed to improve accommodation resource management have been accepted and include:

- HQ computer system to be installed June 1987;

- learning from all positive developments in local offices;

- able staff encouraged to consider accommodation work;

- training syllabus prepared and work on new training package is proceeding.

Improvements to budgetary control through such things as:

- Standard Option Project Team working on new PRS financial procedures.

Keeping records of the effect of heating problems on staff output:

- records maintained locally for annual returns.

SPACE SAVINGS

Some possible scope for more efficient use of space used for filing and former regional offices:

All the Regional Offices were surveyed and it was found that very little space had been left unused. Marginal gains anticipated from different systems of filing.

INLAND REVENUE
MAIN RECOMMENDATIONS

Various improvements for future rationalisation schemes:

- spare space to be monitored by Regional Accommodation Officers (RAOs) and line managers informed;

- RAO conferences.

Improvements to investment appraisals:

- investment appraisal instructions issued and responsibilities identified.

Improvements to budgeting, including greater involvement of local management:

- line management budgeting introduced, includes supplies budgets;

- HQ keeps a central record of costings approved and committed expenditure against PES forecast;

- carry forward of underspend being pursued with Treasury ;

- TCS gives assurance to reduce billing delays;

- estimates of PES capital expenditure to be included in line management budgeting.

Better training and guidance on the PRS system (in liaison with PSA):

- annual inspections incoprorate line management budgeting and information systems;

- consultation between PSA and local accommodation managers on inspections;

- RAOs train local accommodation managers about PRS.

Introduction of separate accommodation computerised system:

- consultations for requirements and user Group set up;

- occupancy audit information captured.

Survey of accommodation occupied by valuation offices:

- survey completed and results incorporated with occupancy audits;

- study of layout and new technology for Valuation Offices has begun.

SPACE SAVINGS

Rationalisation of local office network, already begun, would yield a definite 122,482 sq m and potential 34,338 sq m of space (worth £7,770,000 and £2,410,00 pa respectively). Also a recommended survey of accommodation in Valuation offices would show as yet unquantified excess space.

DEPARTMENT OF TRADE AND INDUSTRY
MAIN RECOMMENDATIONS

Location decisions to be based on quantified cost benefit analysis:

- some transfer of divisions to Cardiff and Birmingham after CBA analysis;

- next DTI accommodation strategy to incorporate CBA;

- running costs and communication links important factors in location decisons;

- analysis of need to have Companies Records Office sites at both London and Cardiff (London to be retained with regular review of fees).

Need for a study on home working:

- subsumed by MPO on working patterns.

Introduction of space audits with a view to rationalising space use:

- actioned under MDR recommendation 15. Audits to be complete in September and results computerised.

Improving budgeting for accommodation:

- pilot system of accommodation management information system in operation: second stage under review;

- delegation of approval of expenditure;

- PSA recommendation on competitive quotes adopted.

Improve training and guidance for accommodation managers:

- £10,000 set aside this year for training about 30 accommodation managers;

- written guidance on PRS issued as necessary.

Spending part of space savings on improving working environment:

- to be considered in the light of the MDR on budgetary control (although improvements in working environment a priority all the same).

Appointing energy managers:

- DEM developing an energy conservation campaign;

- energy managers in all major buildings.

Introducing performance measures:

- refining list of measures after a study assisted by MPO.

SPACE SAVINGS

Visits to 21 buildings, including two detailed space-use audits, and comparison of minimum entitlement with space use in 32 buildings. Actual space allocated was found to be considerably above minimum entitlement so a ten per cent reduction recommended, worth £4-5 million a year:

DTI has accepted a rigorous target of a 10% reduction in space by 30 September 1987 although plans to rationalise space hindered by lack of Part II funds.

ANNEX C

Recommendations for action by PSA

We recommend (13) that PSA should set out and agree with departments a formal statement of roles and responsibilities as a matter of urgency and that PSA and departments should draw up service agreements at local level in parallel with the statement of respective responsibilities. The local agreements should be drawn up by 1 April 1986.

Statements of the roles and responsibilities of PSA were included in section 7 of the IDC's main report of February 1986. PSA have updated this for the changes to be introduced 1 April 1987 and have issued it as an appendix to the Dear Accounting Officer letter which introduces the changes. The second part of the recommendation - for service agreements at local level between departments and PSA - has been subsumed by action on recommendation 14.

We recommend (14) that PSA should set up and develop more regular programmes of liaison meetings with accommodation managers at local, regional and headquarters levels starting now.

Following initial experiments in 1985-86, PSA issued guidelines to departments on Joint Planning and Liaison on 1 May 1986. PSA regional offices have been setting up meetings with individual departments. The initial response of departments to these meetings has been enthusiastic. Work still remains to be done on service agreements between PSA and departments where the same difficulties have been encountered as on internal agreements within departments and this will be taken forward through the now regular meetings between PSA and departments.

We recommend (22) that PSA should make it clear that where departments disagree with a Local Estates Surveyor (on assessed market rent) they can raise the matter at a higher level if necessary.

Action is complete. The machinery for disputes on rental assessment was set out in a letter to PEOs of 14 February 1986. The machinery is now operational.

We believe PSA needs to examine the following critically:

- the value for money of PSA maintenance work; and

- the information given to departments by PSA on major projects.

We recommend (25) it reports on them to the Chief Executive and its Ministers by 1 April 1986.

Action is complete. PSA has submitted reports on both these areas to its Ministers. The report on maintenance covers the many measures taken by PSA to ensure value for money. PSA will keep these measures under review. The report on major projects makes sensible recommendations reflecting the interests of both departments and PSA.

Recommendations for action by Treasury

We recommend (21) that the Treasury reviews by 1 April 1986 PES and vote procedures for major building works with the objective of bringing the cost of the projects closer to departmental funding.

Following a recommendation of the IDC PES attribution will be introduced on 1 April 1987 for most major new works. The IDC did not reject full repayment as an option for the future. Since the acceptance of the IDC's report, the question of repayment has been further examined in the follow up to the Efficiency Unit's report on capital expenditure projects and in Sir Robin Ibbs' subsequent recommendations that departments should "own" projects. A Treasury study of best practice in managing and controlling building construction projects has concluded stongly in favour of transfering financial responsibility to client Departments, through advance agreement between client and project agency on pricing of jobs and subsequent untying of clients from PSA and other Government building agencies. The implications of this are now being discussed with the departments most likely to be affected.

We recommend (23) that the Treasury reviews by 1 April 1986 guidance on PRS invoice checking by client departments. The objective should be to encourage sensible checking of invoice details, for material amounts, down the line, at local level in order to promote accuracy in management accounting systems.

Action complete. The Treasury issued guidance to departments through a Dear Accounting Officer letter in April 1986.

Recommendations for action by MPO

We recommend (26) that MPO helps progress and monitor implementation of the recommendations of the review as a whole and submits a progress report to the Prime Minister within 12 months with recommendations for any further action.

MPO has advised departments on their action plans and helped to pull together examples of good practice, as described elsewhere.

Further work is in hand. The present report fulfils the last part of this remit.

ANNEX D

CCSU COMMENTARY UPON THE REVIEW OF GOVERNMENT OFFICE ACCOMMODATION MANAGEMENT

In both the preface to the report itself written by Lord Gowrie and the press release issued about its publication on behalf of Richard Luce, the Civil Service Minister, two major themes are drawn from the report. Firstly, it is claimed that greater efficiencies can be found in the management of the Government's civil estate, which if implemented could result in savings of up to £50 million for the tax payer. Secondly, there is an acknowledgement that the quality of accommodation provided in the estate for civil servants is at best mediocre and in some circumstances awful. The Civil Service unions nationally, departmentally and locally are determined to ensure that the former is not undertaken at the expense of accommodation improvements for Civil Service staff. Equally we cannot accept that accommodation improvements will only be obtainable with the achievement of so-called efficiencies in management.

It is a damning indictment of Government's management of the civil estate that the maintenance programme is a full year in arrears because of cuts. By 1988 a massive cash injection of £142 million will be needed simply to deal with essential outstanding maintenance work. The introduction of so-called sophisticated management techniques in the management of Civil Service accommodation is of little consequence compared with what the trade unions see as the major issue, which is the lack of finance to preserve and improve one of the taxpayer's major assets.

The central report contains 26 recommendations which are summarised in chapter 8 of the document. The CCSU comments upon the recommendations are as follows:-

Recommendation 1

We recommend that PFOs in departments should have the following arrangements in operation by 1 April 1987:

- budgeting, as a separate item, the cost of space in excess of space standards; and

- accounting systems to monitor spare space, inform budget holders of its cost and help trigger its release to the central accommodation manager.

Comment

There is a theme running through the report that the identification of so-called surplus space is the key to greater efficiency. Such surpluses seem to be defined as the cost of space which is in excess of the space allowed according to service wide space standards. This in the Council's view is a grossly simplistic way of viewing the situation and takes little, if any, account of the reality of accommodation provision. There are also great dangers that surpluses will be measured against the minimum agreed space standards rather than the maximum, and to return to the theme in our opening paragraphs such introduction of budgeting procedures in isolation from the need to balance against them the cost of necessary improvements is unreal.

Recommendation 2

We recommend that departments should consider including accommodation management as part of the effective use of resources in the revised guidance notes they are now preparing for reporting officers.

Comment

The Council see great dangers in this recommendation in that it will inevitably lead to conflicts between staff and their managers who may, willingly or otherwise, wish to drive down accommodation standards in order to improve their marks on their annual reports. It

is suggested that any attempt to include accommodation management in the revised guidance notes for reporting officers as suggested should at least be the subject of further discussion centrally.

Recommendation 3

We recommend that central accommodation managers should issue guidance on planned maintenance, based on the PSA Minor Works Handbook to local accommodation managers by 1 April 1986 with instructions to draw up plans and timetables for implementation in 1987-88.

Comment

The Council generally welcome this recommendation and would wish to ensure that Departmental Trade Union Sides are given the opportunity to comment upon the guidance issued. However, this recommendation does raise wider questions about the role and training etc of accommodation officers which will be dealt with later.

Recommendation 4

We recommend that, by 30 September 1985, the head of the central accommodation division should have drawn up, in consultation with local accommodation managers, a statement of their roles and responsibilities; and that, by 1 April 1986, local accommodation managers should have prepared and agreed with line managers in the buildings which they service, an agreement setting out the level of service line managers can expect and the responsibilities of line managers in respect of such things as due notice etc.

Comment

The Council are concerned firstly, that the time scale set of 30 September 1985 for the implementation of

the first part of this recommendation is impossible and would have effectively precluded any possibility of a trade union imput into these statements. In general terms we are concerned about the possibility of a lack of consistency between these so called agreed statements both within departments and across the Civil Service. It is our view that rather than these matters being left to decision by heads of accommodation divisions in departments and even to local accommodation and office managers, general guidelines should have been, at least, discussed nationally.

Recommendation 5

We recommend that all large departments put plans in hand by 1 April 1986 for both physical and financial medium term budgeting for accommodation.

Comment

The Council are extremely concerned with the assumption contained in para 3.15 of the report, that accommodation could possibly make a higher than average contribution to overall reductions in running costs. It is our view that this pre-judges the issue and will put undue pressure on departments and accommodation officers to make savings which will be unacceptable to staff. On the question of the development of physical and financial medium term budgeting for accommodation to be in hand by 1986, the Council would wish to ensure that Departmental Trade Union Sides are involved in that process and that measures are taken to ensure that such a system does incorporate some recognition of the need for accommodation improvements.

Recommendation 6

We recommend that PEOs in all departments, in preparing development plans for able staff, should ensure that

some officers with high potential spend some time in accommodation work; and that expertise in accommodation is retained and developed.

Comment

The Council welcome this recommendation and would wish to ensure that national guidelines are issued in order that it is implemented consistently throughout the Civil Service. We would also wish to ensure that Departmental Trade Union Sides and constituent unions monitor this matter departmentally.

Recommendation 7

We recommend that departmental training divisions, where necessary in consultation with PSA and MPO Training Division, draw up a programme of training for both central and local accommodation managers by 1 April 1986.

Comment

The Council welcomes the recognition of the need to improve the training of accommodation officers and would wish to be involved in central discussions with PSA and the Civil Service College about the structure of such training.

Recommendation 8

We recommend that, by 1 April 1986, the head of the central accommodation division, in consultation with local accommodation managers, draws up performance indicators (and targets for improvements based on these).

Comment

The Council of Civil Service Unions and constituent unions are opposed, for reasons which are well known,

— to the introduction of performance indicators and targets anywhere in the Civil Service and this applies equally to accommodation managers.

Recommendation 9

We recommend that, when new proposals including the number and siting of staff are being put forward, the initiating officer should always set out the accommodation consequences following consultation with the central accommodation manager.

Comment

The Council accept that it is only sensible that the initiating officer should set out the accommodation consequences of any new proposals, but in doing so we would insist that the trade union side are involved in this process. Also it is necessary to ensure that the accommodation consequences do include the human problems often caused to staff by changes in location.

It is also necessary to clarify whether this recommendation is intended to allow consideration of any dispersal option.

Recommendation 10

In view of the importance we attach to the need to demonstrate value for money is being obtained in all location decisions, we recommend that any proposal to move the location of offices is subject to a full investment appraisal by the accommodation manager in consultation with PSA and that, wherever possible at least one option involving a suitable location outside a city centre should be considered.

Comment

Again the Council would insist that the trade union sides are involved in this appraisal procedure and that the basis of the appraisal is known if not agreed with the trade union side. Also it is again necessary to clarify whether it is intended to allow consideration of disperal to distant locations.

Recommendation 11

Where a case for relocation is accepted on the basis of efficiency savings, the Accounting Officer should require the head of the division moved to provide an annual statement for the three years after the move showing, on the basis of the criteria set out in the original investment appraisal, how greater efficiency has been achieved, and we so recommend.

Comment

It is unclear from the recommendation what will be the effect of a discovery that the original case for a move on efficiency grounds has proved unsuccessful. It will clearly be impossible to reverse the move at such a late stage, whilst equally it is surely not envisaged that some form of disciplinary action would be taken against the instigator of the proposal. This recommendation seems to advocate the introduction of some form of retrospective self-criticism into the Civil Service, a development which the CCSU resolutely opposes.

Recommendation 12

We recommend that all central accommodation managers, in consultation with line managers, should develop an accommodation strategy by 1 April 1987.

Comment

Again there will need to be central agreement on what such strategies should contain and a recognition that Departmental Trade Union Sides must be involved in the developing and monitoring process.

Recommendation 13

We recommend that PSA should set out and agree with departments a formal statement of roles and responsibilities as a matter of urgency and that PSA and departments should draw up service agreements at local level in parallel with the statement of respective responsibilities. The local agreements should be drawn up by 1 April 1986.

Comment

We believe that it will be to the benefit of both departments and PSA for such formal statements of roles and responsibilities to be established. However, these can only fulfill their purpose if their terms are widely available to trade union sides and staff generally. Equally such statements will have little value unless sufficient resources are made available to allow the responsibilities to be taken up.

Recommendation 14

We recommend that PSA should set up and develop more regular programmes of liaison meetings with accommodation managers at local, regional and headquarters levels starting now.

Comment

We fully support the need to develop regular programmes of liaison between accommodation managers and PSA.

However, if such a recommendation is to operate effectively it will require a commitment on the part of both PSA and departments to ensure that staffing levels are adequate to allow such liaison to develop properly. Previous examples of failed commitments to allow the attendance of D.W.Os at Local Whitley Committees does not augur well for this recommendation.

Recommendation 15

We recommend that accommodation managers in departments should be charged with carrying out a full occupancy audit of all departmental office accommodation by 1 April 1986; that by the same date they draw up arrangements for maintaining these records; and that these arrangements should require a full occupancy audit at least every five years.

Comment

We welcome this recommendation with the reservations that the guidance for occupancy audit should be discussed centrally and Departmental Trade Union Sides should also be fully consulted and informed of results.

Recommendation 16

We recommend that, by 1 April 1986 the central accommodation manager should evaluate the costs and benefits of computerised information to handle accommodation data and should draw up firm plans for the management of accommodation information based on the conclusions.

Comment

Our preliminary view would be that such computerised systems would indeed be useful provided that all parties are aware of the significance and uses of the data.

Recommendations 17 and 19

We recommend that as a matter of course the local accommodation manager should advise the District Estates Surveyor of the results of occupancy audits.

We recommend that line managers should be given full details of the occupancy audit of space they occupy.

Comment

It is important that all parties are aware of the basis for drawing up such occupancy audits and that details are available to trade union sides.

Recommendation 18

We recommend that where accommodation managers, in co-operation with line managers, are reviewing their needs within a building they consult PSA (and other accommodation managers) at an early state to determine their objectives in terms of size and location of blocks which could be given up.

Comment

We obviously accept the need for consultation between line managers and PSA about accommodation. However, we must insist that Departmental Trade Union Sides are also involved in the process.

Recommendation 20

We recommend that, by 30 September 1985, all departments set interim targets for space reductions to be achieved by 30 September 1986; and that, in the light of the occupancy audit and by 30 September 1986, they set revised targets for reducing space used by 30 September 1988 together with a plan for achieving the reductions including milestones to measure progress.

Comment

It is unacceptable to the Council that interim targets should be determined in an arbitary manner without consultation departmentally and to timescales which are unrealistic. If this policy is pursued we can well see severe industrial relations problems arising.

Recommendation 21

As a first step, we recommend that the Treasury reviews by 1 April 1986 PES and vote procedures for major building works with the objective of bringing the cost of the projects closer to departmental funding.

Comment

It is likely that the implementation of this recommendation could have implications for PSA and the views of that department's trade union side should be sought. Also whilst such a recommendation has attractions to the major departments, its effect upon smaller Civil Service departments could be that they will find it almost impossible within their much smaller budgets to make available the sums necessary to undertake major works and this matter will need to be explored further. Finally, it is in the Council's view largely irrelevant as to whether the cost of works is borne by departments or by PSA, the fundamental question, as we have previously argued, is that the money is available within the overall public expenditure limits to improve the estate.

Recommendation 22

We recommend that PSA should make it clear that where departments disagree with a Local Estates Surveyor (on assessed market rent) they can raise the matter at a higher level if necessary.

Comment

The Council would have no comment on this recommendation

Recommendation 23

We recommend that the Treasury reviews by 1 April 1986 guidance on PRS invoice checking by client departments. The objective should be to encourage sensible checking of invoice details, for material amounts, down the line, at local level in order to promote accuracy in management accounting systems.

Comment

The Council have consistently argued, and PSA have agreed, that departments should operate, in respect of PRS accounting, to the same rigid procedures as used by PSA. In our view such practices are essential to avoid individual members of staff being put at risk of unfair accusations in their dealings with contractors.

Recommendation 24

We recommend that those departments not already represented on the IDC (C&E, DEn, DTI and DOE/DTp) be invited as members at least until 1988.

Comment

There is concern within the Council about the growth of interdepartmental committees, whether they be on PRS or microcomputers. This is a matter upon which further discussion will be sought.

Recommendation 25

We believe PSA needs to examine the following critically:

- the value for money of PSA maintenance work; and

- the information given to departments by PSA on major projects.

We recommend it reports on them to the Chief Executive and its Ministers by 1 April 1986.

Comment

Whilst some of the background to this recommendation about more information being given to departments by PSA on major projects seems sensible, we have doubts about the need for further examination of the value for money for PSA maintenance work to be undertaken. It is our strongly held view that PSA would operate more effectively and provide better value for money if it were allowed a period of stability to build upon its many assets rather than being subjected to what is becoming an almost constant series of reviews, both internal and external.

Recommendation 26

We recommend that MPO helps progress and monitor implementation of the recommendations of the review as a whole and submits a progress report to the Prime Minister within 12 months with recommendations for any further action.

Comment

The Council would insist that any monitoring of the recommendation of this review must take into account progress towards uprating the standard of accommodation, and we would wish to also insist that the Council are involved in this monitoring progress to ensure that this balance is achieved.

Arising from the report, there are also a number of general points upon which the Council would wish to comment:-

1. We are very concerned that many of the deadlines set in the report are unrealistic, particularly those which require action by September 1985, a date which coincided with the publication of the report.

2. We are also disturbed that the possible saving from the disposal of surplus accommodation of £50 million per annum identified in the report has become, in some quarters, a specific attainable figure against which PSA and Departments will be judged. It is our view that the reality of the situation is that in many departments and buildings the surplus accommodation will not be viable units and therefore the figure of £50 million, which it is claimed could be generated by the release of such surplus accommodation, is a mythical figure. In many cases the surplus accommodation will comprise odd offices or even parts of offices and the necessary staff changes to release anything resembling a viable unit will be both unacceptable and impracticle.

3. Paragraphs 4.13-4.16 of the report quite rightly identify a number of interesting but potentially controversial ideas about possible long-term office accommodation trends. The CCSU would insist that the development of these ideas, particularly those relating to working from home, open plan offices and the local work centre, must be the subject of the fullest consultation and negotiation at the earliest opportunity.

4. We are pleased to note that the report recognises the vital role of PSA in providing effective management of the Civil Estate. We would wish to record that we do not accept the superficial arguments presented in some of the associated department reviews that greater freedom for departments on accommodation matters would lead to better standards. There is no doubt that the most effective means of providing acceptable

standards of accommodation for civil servants is by a properly funded and stable Property Services Agency.

ANNEX E

LIST OF DEPARTMENTS INVITED TO PREPARE ACTION STATEMENTS

Cabinet Office
Central Office of Information (COI)
Customs and Excise (C&E)
Department for National Savings (DNS)
Department of Education and Science (DES)
Department of Employment (DE)
Department of Energy (DEn)
Department of Health and Social Security (DHSS)
Department of Trade and Industry (DTI)
Department of the Environment(Central)/Department of Transport (DOE(C)/DTp)
Export Credits Guarantee Department (ECGD)
Foreign and Commonwealth Office (FCO)
Government Actuary's Department (GAD)
Her Majesty's Stationery Office (HMSO)
Home Office (HO)
Inland Revenue (IR)
Intervention Board for Agricultural Produce (IBAP)
Land Registry
Lord Chancellor's Department (LCD)
Ministry of Agriculture, Fisheries and Food (MAFF)
Ministry of Defence (MOD)
National Investment and Loans Office (NILO)
Northern Ireland Office (NIO)
Office of Fair Trading (OFT)
Office of Population, Censuses and Surveys (OPCS)
Overseas Development Administration (ODA)
Paymaster General's Office (PGO)
Property Services Agency (PSA)
Public Records Office (PRO)
Registry of Friendly Societies (RFS)
Royal Mint
Scottish Office (SO)
Treasury Solicitor (TSol)
Treasury
Welsh Office (WO)

CCBG

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

nbpm

The Hon Peter Brooke MP
Minister of State
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

18 September 1986

Dear Peter,

STAFF INSPECTION

Thank you for the copy of your letter of 27 August to Douglas Hurd about Departments' recent staff inspection performance.

I can confirm that I receive details of my Department's staff inspection effort, which is being stepped up in the current year. Given the other demands upon us, I do not believe that we shall ever be able to achieve the 5 or 6 year cycle of inspection which you quote as a general guide: nor, indeed, do I think that this approach represents the best value for money which we can obtain from our necessarily limited staff inspection resources. The approach we have adopted is one of careful selection of the areas for inspection in accordance with a programme approved by the Management Group. This enables us to cover potential trouble spots or areas where significant changes may be possible more frequently than under a cyclical system.

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

Yours ever,
Malcolm

MALCOLM RIFKIND

JSS00302.096

Gov't Mach: Rayner PT21

10

CCBG

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Secretary of State
Home Office
Queen Anne's Gate
LONDON SW1H 9AT

27 August 1986

MBPM

Dear Douglas,

STAFF INSPECTION

I have been reviewing the recent performance of staff inspection, in the light of the returns which departments send to the Treasury. The attached tables summarise the outcome for 1985-86, and show how this compares with previous years.

The 1985-86 results (Table A) show that investment on staff inspection continues to pay a good dividend. Savings of £61.3m were achieved by a staff inspection effort equivalent to no more than £6.5m. The annual savings roll over into succeeding years. There are also unquantifiable benefits, such as the assurance which the process gives to senior management about the tautness of manpower levels.

Our present policy on staff inspection, reported to the Public Accounts Committee, is that, as a general guide, all areas should be inspected every 5 or 6 years; and that the aim should be normally to reach decisions within 3 months of issuing the report, and on average to implement at least 75 per cent of the manpower recommendations. Few departments meet all of these criteria; and, as Table B shows, the overall net reductions achieved and the implementation rate have both fallen away since the improvement achieved in the early years of this Administration. We have not secured the overall improvement sought by Peter Rees when he wrote to Leon Brittan on 3 July 1984 about the results for 1983-84.

WILL REQUEST IF REQUIRED

Staff inspection is, of course, only one of the means by which departments can secure the maximum efficiency and effectiveness with which they use their resources. Other CIR forces provide a similar and equally useful service. I understand, for example,

that efficiency scrutinies - which range wider than running costs - have recommended savings of £132m in the 1985-86 programme (although the savings actually accepted may fall short of this). Moreover, line managers should increasingly be finding savings themselves, in the course of managing their budgets.

We need to use all the techniques which we possess to improve efficiency and to keep running costs, including manpower costs, controlled as tautly as possible. Staff inspection remains one of the proven techniques available to us. Shortly after this Administration took office, we introduced the system of an annual report to the Minister and Permanent Secretary in each department on the results and effectiveness of staff inspection in that department. Bearing in mind the continuing value of staff inspection demonstrated by the 1985-86 figures, I would urge colleagues to continue to take a close interest in these reports and to press for early improvements where necessary.

I am copying this to all Ministers in charge of departments and for information to the Prime Minister and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours ever

Peter

PETER BROOKE

060-2747

TABLE A

STAFF INSPECTION RESULTS 1985-86

	Complement Inspected	Net Recommended	Agreed	Agreed as % of net rec'd	Agreed as % of compl. insp'd	Agreed saving £M
Non-industrial	38,700	-2,300	-1,600	70%	4.1%	17.3
OTHER CATEGORIES						
Industrial	5,100	- 300	- 200	67%	4.0%	1.2
Locally engaged	6,600	- 400	- 250	63%	3.8%	2.0
Military	34,300	-1,200	-1,000	83%	2.9%	13.9
Sub totals other categories	46,000	-1,900	-1,450	76%	3.2%	17.1
Totals	84,700	-4,200	-3,050	73%	3.6%	34.4
Rejected bids			-1,000*			10.6*
Running Costs £m						16.3
			-4,050			61.3

*notional savings

TABLE B

STAFF INSPECTION RESULTS TREND SINCE 1978

Calendar years	Complement Inspected (Nos)	Net reduction Recommended (Nos)	Agreed Reduction (Nos)	Agreed reduction as % of Recommended change	Agreed reduction as % of Complement Inspected
1978	74,200	-2,600	- 900	35%	1.2%
1979	64,000	-2,900	-1,900	66%	3.0%
1980	63,200	-4,100	-3,200	78%	5.1%
1981	52,300	-5,000	-3,800	76%	7.3%
1982	40,600	-3,500	-2,700	77%	6.7%
Financial years					
1983-84	44,800	-3,900	-2,800	72%	6.3%
1984-85	37,800	-3,150	-2,300	73%	6.1%
1985-86	38,700	-2,300	-1,600	70%	4.1%

hle

ECU

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

MISS KATE JENKINS
EFFICIENCY UNIT

The Prime Minister has seen Sir Robin Ibbs' minute of 8 August on progress with achievement reports on major projects. She was content with work so far and looks forward to talking with Sir Robin when the first complete report is available. No doubt you will be in touch with Caroline Ryder to arrange a suitable time when that report has been submitted.

I am copying this minute to Michael Stark (Cabinet Office).

TIM FLESHER
19 August 1986

meeting arranged for 0900 on Friday 24 Oct.

010

Prime Minister:
The Efficiency Unit seem to have made a useful start. Sir Robin Ibbs wants to have a talk with you when the first report is ready.
11/8

CONFIDENTIAL

PRIME MINISTER

ACHIEVEMENT REPORTS ON MAJOR PROJECTS

In May we discussed the possibility of keeping track of progress on major projects in large Departments. Defence projects have been a particular cause for concern.

I have discussed with Clive Whitmore and Ken Stowe ways of developing a system of reporting on the major projects in their Departments which would show you how they are progressing against their approved costs and completion dates, and give you early warning if things are going off course.

The Efficiency Unit has been working with the Procurement Executive on the first set of reports from the MOD. They cover the eight projects listed in Table 1 in the Annex which is an example, as yet incomplete, of what we have in mind. The first sheet lists the projects with key cost data. The second sheet, on an exception basis, gives key milestone data on either achievement or slippage against timetable. The Efficiency Unit should be able to provide you with very brief reports every two months on these lines starting in September. In my view reporting of this kind is one safeguard (although not complete in itself) against a recurrence of the NIMROD problem. It may be helpful if, when we have the first complete report in September, you and I briefly discuss what these reports can tell you. So far the Unit has concentrated in MOD on the work of the Procurement Executive but we are also exploring the possibility of regular reporting on key administration as well as procurement projects

Yes

The information in these reports will provide useful background to the VFM seminar you are to hold with the Procurement Executive later in the year. My impression is that preparing these reports has already had a salutary effect within the Procurement Executive, in forcing project managers to focus on their key milestones and produce simple, intelligible reports for top management. I recommend that we persevere with it. I hope we can produce a similar report for DHSS shortly; it has been delayed by Ken Stowe's illness.

I have also been looking at the ways in which the MOD are trying to prevent recurrence of the NIMROD situation on development projects. I hope to be ready to report to you in September.

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

ROBIN IBBS
8 August 1986

SR13:Table1

CONFIDENTIAL

(A) PROJECT OVERVIEW

DATE.....

PROJECT	BASELINE ESTIMATES DATE	TOTAL COST	UNIT COST	IN SVC DATE	CURRENT ESTIMATES TOTAL COST LAST	TOTAL COST THIS	UNIT COST LAST	UNIT COST THIS	IS DATE LAST	IS DATE THIS	TOTAL SPEND TO DATE LAST	TOTAL SPEND TO DATE THIS
Type 23 Frigate					-	167m	-	115m	-	3/91	-	44m
Stingray					-	2300m	-	185k	-	9/83	-	943m
LAW 80					-	382m	-	1338	-	12/87	-	71m
MCV 80					-	489m	-	467k	-	3/88	-	81m
EFA					-	5444m	-	17m	-	/97	-	2.5m
Harrier GR5					-	1529m	-	12.9m	-	/88	-	306m
Nimrod							Interim £50m 6 month contract					
Trident Sub.							To be added in September report					

SR13: Table2

CONFIDENTIAL

(B) MILESTONES EXCEPTION REPORT

DATE.....

PROJECT	MILESTONE REFERENCE	COMPLETION TARGET LAST	COMPLETION TARGET THIS	COMMENT/REASON
EXAMPLES				
Type 23 Frigate	Propulsion motors shipped		1/87	
Stingray	Contract for 2000 warheads placed		8/86	
EFA	Submission to Equipment Policy Committee		1/87	
Harrier GR5	First flight of P3		9/86	

ANNEX A

Project Reporting

The Efficiency Unit will summarise the Ministry of Defence information every two months in the attached tables.

Table 1 compares the current forecast of key targets against the previous forecasts (ie. 2 months earlier) - and against the baseline forecast. MOD are still working on the baseline forecasts which will be from the most recent Equipment Policy Committee or equivalent review. These will be included in the September report.

Table 2 shows on an exception basis, the milestones targets where the forecast completion date has changed significantly since the last report or where a milestone date has been missed.

JSF D2B09

DEPARTMENT OF EDUCATION AND SCIENCE
ELIZABETH HOUSE YORK ROAD LONDON SE1 7PH
TELEPHONE 01-934 9000

FROM THE SECRETARY OF STATE

Caroline Ryder
10 Downing Street
LONDON
SW1A 2AA

7 August 1986

Dear Caroline

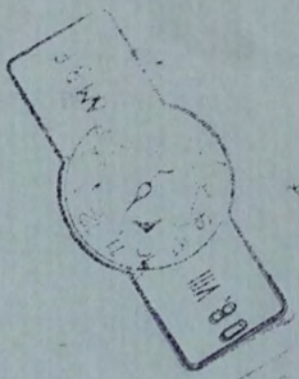
Thank you for your letter of 30 July to Rob Smith following up Mark Addison's of 14 July about a value for money seminar.

Mr Baker would be very happy with Monday 26 January at 14.30 for two hours. Sir David Hancock will be accompanying him.

Yours sincerely

Shirley Trundle

MRS S J TRUNDLE
Private Secretary



CC/BC

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

6 August 1986

MBJM

Dear John,

DEREGULATION BILL

WILL REQUEST IF REQUIRED

The Lord President has seen your Secretary of State's letter of 31 July.

He entirely agrees with Lord Young's analysis of the danger of an omnibus deregulation Bill prompting concerted action by otherwise disparate groups. He is therefore content that the Bill should be shelved for the time being and that elements of it should be considered in the context of bids made by colleagues either for Government Bills or Private Members' handouts for the 1987/88 Session. He has, however, asked me to stress that the programme for next Session is under very considerable pressure, which suggests that it is unlikely approval could be secured for the addition of other than the most minor items to Bills currently in the course of preparation.

I am sending a copy of this letter to the members of MISC 121 and Sir Robert Armstrong.

Yours sincerely,

Joan MacNaughton

JOAN MACNAUGHTON
Private Secretary

Private Secretary to the
Secretary of State for Employment

289

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

MR. CLOKE

CABINET OFFICE

VALUE FOR MONEY SEMINARS

We are going to have four Value for Money Seminars on the following days, and I would be grateful if you could confirm that these will be convenient for Sir Robert Armstrong:

Wednesday 29 October:	1500 hours:	MOD
Wednesday 26 November:	0900 hours:	Social Services
Monday 26 January:	1430 hours:	DES
Monday 2 February:	1430 hours:	HMT

Rt's

Caroline Ryder
30 July 1986

288

10 DOWNING STREET
LONDON SW1A 2AA
From the Private Secretary

30 July 1986

Mark Addison wrote to you on 14 July regarding a Value for Money Seminar saying that we would be in touch about a date in 1987.

May I offer you Monday 2 February at 1430 hours for approximately two hours. Your Minister would be accompanied by the Permanent Secretary and the Chairman of the Board of Customs and Excise. Sir Robin Ibbs is already available on that day. I look forward to hearing from you.

Caroline Ryder (Mrs)

Mike Norgrove, Esq.,
Minister of State's Office,
H.M. Treasury.

10 DOWNING STREET
LONDON SW1A 2AA
From the Private Secretary

30 July 1986

Mark Addison wrote to you on 14 July regarding a Value for Money Seminar saying that we would be in touch about a date in 1987.

May I offer you Monday 26 January at 1430 hours for approximately two hours. Your Secretary of State would be accompanied by his Permanent Secretary. Sir Robin Ibbs is already available on that day. I look forward to hearing from you.

Caroline Ryder (Mrs)

Rob Smith, Esq.,
Department of Education and Science.

CR

Would you drop Kate Jenkins on the other efficiency unit to let her know the timetable for the few seminars, & cc to Policy Unit.

HEA 29/7

E.R.

MARK ADDISON

2 BFs

I have now gone firm on Wednesday 29 October at 1500 hours for the Defence Value for Money Seminar and Wednesday 26 November at 0900 for Social Services.

Is there any further action for you?

CR.

already done

CR.

CAROLINE RYDER

29 July 1986

file KB

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 July 1986

VALUE FOR MONEY SEMINARS

I am writing to confirm various telephone conversations regarding Value for Money Seminars.

We are now going firm on Wednesday 29 October at 1500 hours for Defence and 26 November at 0900 for Social Services.

When I spoke to your office a few weeks ago I also offered two dates next year which have not yet been confirmed. Could you kindly let me know whether 1430 on Monday 26 January and 1430 on Monday 2 February would suit Sir Robin. These are going to be offered to the Department of Education and Science and the Treasury respectively.

CAROLINE RYDER

Miss kate Jenkins,
Efficiency Unit.

Prime Minister (4)
For information only
MEA 28/7

PRIME MINISTER

PUBLIC ACCOUNTS COMMITTEE REPORT ON RAYNER SCRUTINIES

The PAC has now published its report. You may like to look through it. I am encouraged that the report

- recognises how much the success of scrutinies is due to your own strong personal backing (paragraph 20)
- endorses the scrutiny technique, and our efforts to bed it into departments
- supports the use of scrutinies in "policy" and "effectiveness" areas
- gives a boost to our new emphasis on securing implementation

2. It is useful to have this endorsement from the PAC. Their recommendations are positive and will help strengthen what we are doing.

ROBIN IBBS
25 July 1986

Carole.
Leave the others as they are, I think, and see if we can find another date for Defence. MCA

MR. ADDISON

VALUE FOR MONEY SEMINARS

The DHSS do not want 20 October as they will be in the middle of public expenditure discussions (or rows, rather!) So I have given them the second date which is Wednesday 26 November which suits them better. But Defence cannot do Monday 20 October. Shall I offer it to Education or Treasury or do you want me to try and find another date, which is going to be difficult, particularly as Robin Ibbs could do the October date.

SLH

pp C.R.

24 July 1986

SLH/74

T.R.

MR. ADDISON

VALUE FOR MONEY SEMINARS

The DHSS do not want 20 October as they will be in the middle of public expenditure discussions (or rows, rather!) So I have given them the second date which is ~~Monday 27 October~~ Wed 26 Nov which suits them better. But Defence cannot do Monday 20 October. Shall I offer it to Education ~~and~~ or Treasury or do you want me to try and find another date, which is going to be difficult, particularly as Robin Ibbs could do the October date.

CR.

PLR / pl. retype & p.p.

C.R.

24 July 1986

SLH/74

P.S. Since dictating this minute R. Ibbs now tells me he doesn't like the Nov. date unless we start at 8.30.

KC6:D/Clerk

TF
~~Duty Clerk~~

AS
pse act on declassification
N

TARGETS REPORT

You asked whether the targets report could now be de-classified. We looked at it carefully and decided that it needed some minor amendments before de-classifying. This has now been done and I am attaching a copy of the revised version.

Kate Jenkins

KATE JENKINS
Efficiency Unit

19 July 1986

KC6:Vfm09/7

THE USE OF VALUE FOR MONEY TARGETS 1985-86

Report to the Prime Minister by Sir Robin Ibbs

The public rightly expects government progressively to improve the quality of services the State provides such as health and education. But if this is to be done at a cost the country can afford, steadily improving results must be achieved from the resources already agreed. It is wrong to expect new money for every improvement. And in the absence of profit as a spur and measure of success, specific targets for better performance from available resources are an important key to getting continuous improvement. That is why I said in 1984 that Ministers could accelerate progress if they set explicit targets for improving the relationship of results to costs in public programmes.

2. Last Autumn you asked the Efficiency Unit to examine the progress made by Departments in using value for money targets - their origins, their importance, how ambitious they are and how those responsible have set about delivering them.

3. By improving value for money I mean doing things to an acceptable standard with less expense or achieving more within agreed costs. By targeting I mean aiming at something better than people would achieve left to their own devices.

4. The results so far of the enquiries by the Efficiency Unit are clear-cut and quite encouraging. Target-setting is still in its early days but for 24 targets examined in some depth (the most important out of over 100 offered by Departments):

(i) Most were genuinely about value for money.

(ii) Most of them were genuine targets, not just forecasts of what was likely to happen anyway.

(iii) Three-quarters of them formed part of a programme for progressive improvement - important evidence of increasingly systematic attention to value for money.

However,

(iv) Most are about bureaucracy, few concern programmes.

(v) About half of the targets seemed to me to be insufficiently ambitious.

(vi) More emphasis is needed on results and 'service to the customer', rather than simply cost: when resources are authorised they should be associated with planned outputs and targets should seek to improve the ratio between the two.

5. The potential improvement which the 24 targets represent is very substantial - though, as is only to be expected, not all will be achieved. The improvements take different forms, and not all generate money savings that could be returned to the taxpayer. The Efficiency Unit has explored the history and effectiveness of the targets by interviewing Permanent Secretaries and other levels of management involved in developing and delivering them. The Unit has received full co-operation from all concerned and Permanent Secretaries have taken an active personal interest in the topic. Three things stand out from these enquiries:

(1) Top-down management

6. Permanent Secretaries spoke of their determination to use targets ambitiously. They described targets as useful to Ministers and to themselves in defining strategy and creating additional room for manoeuvre within it, by getting better performance from available resources. But not all of them yet see the widespread use of targets as strategically important. I do.

7. I also believe that fundamental improvement depends on Ministers' willingness - with suitable caveats and devices for self-protection - to use targets to get at better value from programmes.

8. It is the job of top management to set priorities and to be selective. Having chosen a target they must maintain interest and support those who have to deliver it. Two good examples of this approach are:

(i) In the Customs and Excise the Management Board defines the Department's priorities, sets key results to underpin them, and publishes these results in a "Management Plan".

(ii) The Chief of Defence Procurement decided that one of his top priorities was to increase competition (an intermediate step towards improving value for money in defence equipment procurement) and so set that as a prime quantified target.

There are others. It must also be said that the setting of good targets is far from easy. It needs extensive preparation and understanding of the activities in question. Quantification where possible is always helpful but must not lead to important potential qualitative improvements being ignored. Too brash an approach can risk distorting performance because one or two aspects are singled out without regard to balance with others. But in general there is scope for increasing the leadership which is given at the top through clear targets.

(2) The need to stimulate ambitious targets

9. When most people are asked to produce a target there is a natural tendency to put forward the forecast of what should be attainable without undue difficulty if everyone tries hard. There is a hard slog in getting even this far and much of the effort in top management systems so far has been to achieve just that. But such a forecast should be the start of a discussion in which top management challenges middle management to do better and middle management agrees to a target that is more extending and ambitious. (In all this the final target must not be impossible; an unrealistically ambitious target that destroys commitment does more harm than good.)

10. I am not convinced that this process is sufficiently widespread. The recent report by the Head of the Government Accountancy Service on departmental budgetary practices makes a similar point about the lack of challenge in some instances in the procedures by which administrative budgets are sought and authorised.

11. This approach goes beyond activities within a Department. Several good targets in the sample had been set for organisations which were at arm's length from the Department concerned: for example, the targets set as part of the corporate planning cycle for the DOE's sponsored bodies, or the electricity supply industry's target for reducing costs. An arm's length relationship is conducive to good target setting, because it necessitates a genuine dialogue about objectives in relation to resources which is clear, formal and rooted in an understanding of respective roles and capabilities. In some instances, for example education, a wide range of authorities over whom there is little or no control has to be motivated if targets are to be delivered and this calls for skilful leadership.

(3) Encouraging people to try harder

12. There is excessive caution in government. Part of the fear is that the assumptions and caveats on which the target was based will be forgotten in the heat of political debate. Part is a natural apprehension in Ministers about the presentational and political implications of setting targets in policy areas. And part is a fear that failure to achieve an ambitious target will be seen as culpable and exposed to public denigration whatever the reasons. Unless these fears can be dispelled progress will be slow. There is a need to educate Parliament and the public that this sort of criticism is misplaced. It is right that budgets should be set on a basis that gives a high probability of achievement - even so this does not mean they should be soft. But targets are different; the practice ought to be to budget with care but to target more ambitiously. Internal and unpublished targets are often the only way forward if managers are to be set good challenges without hostages being given to later hostile criticism. What matters is that those who are in a position to deliver the targets know what it is they are expected to do.

13. There is also the vexed question of what will happen to savings that are made. In ICI it is widely accepted that, for the good of the company as a whole, an operating unit may at times generate income for other units to use (for investment etc) and that at other times it will itself be a beneficiary. We need to foster the comparable attitude of give and take between departments in government.

14. If managers in government are to be encouraged to go for more difficult targets, it is important to motivate them to do so. Public expenditure control remains one of the Government's top priorities. Without damaging this, it should be possible in suitable instances to reassure managers that if they improve value for money the 'centre' - be it their own Finance Division or the Treasury - will not automatically pocket all of the proceeds. At the least people need an idea of how the benefit arising from the improvements they generate will be used.

15. There can be no presumption that the benefit should all be ploughed back into an improved service by the unit that makes the saving. But it may be possible to agree a ploughing-back or sharing of efficiency savings in some areas which will be fair to the taxpayer as well as to the beneficiary of the service without hazarding the public expenditure totals. The NHS's cost improvement programmes, which have been highly successful, could serve as a model.

16. Of course ideally Ministers should sanction every decision about the reallocation of resources collectively in the Public Expenditure Survey. But except for very large switching of resources this is hardly practical. However it may increase motivation towards better value for money if there is de facto some 'ring-fencing' of expenditure and savings below the level of programme totals. I believe there is increasing understanding of this in the Treasury and some other Departments, and it needs to be encouraged.

RECOMMENDATIONS

(1) It is up to Departments to make the running on target-setting. This is not a candidate for another central management intitiative. Permanent Secretaries will need the support of their Ministers as they work out how to integrate the widespread use of targets to improve value for money into their top management systems (paras 6-8).

(2) If targets are going to contribute fully to value for money they will have to extend to programmes and Ministers' priorities for those programmes (para 7).

(3) Ministers and top management in Departments should use the process of agreeing the annual value for money targets to challenge middle management to be more ambitious (para. 9).

(4) Departments should continue to use scrutinies (assisted as appropriate by the Efficiency Unit) in support of value for money targets in their major areas of business (para 9):

- to clarify objectives,
- to identify output measures,
- to indicate the potential for value for money improvement, and
- to define the steps that should be taken to achieve it.

(5) I should continue to focus on value for money targets when discussing efficiency improvement with your colleagues. These targets should also provide the main focus for your value for money seminars with Ministers (para 9).

(6) Departments responsible for expenditure managed by bodies which are independent of central government should develop appropriate types of dialogue to secure the commitment of those bodies to the principles in this report (paragraph 11).

(7) Unpublished internal targets should be encouraged where the risk of hostile criticism makes published targets undesirable (para 12).

(8) However there needs to be wider understanding that the new management approach will involve the setting of targets which may not be achieved at the first go. Ministers should take suitable opportunties to explain this so as to forestall misplaced criticism in Parliament and elsewhere. It would be particularly effective if the Chancellor of the Exchequer and the Chief Secretary to the Treasury could take the lead, explaining that this does not endanger public expenditure control (para. 12).

(9) Where it would encourage their managers to go for more difficult targets, Departments should consider giving them extra incentives by agreeing to plough back part of the benefit. The same idea should be extended in appropriate instances to the relationship between Departments and the Treasury, following the example of the NHS cost improvement programme (para. 15).

The Efficiency Unit
May 1986

Gov't Machinery PT 20 - Rayner.

File CUBG

JA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 July 1986

Dear Rob

As your Secretary of State will know from his time at DOE the Prime Minister holds seminars on value for money at which the Secretary of State and the Permanent Secretary describe the most important improvements in value for money in their department in the past year and look forward to planned improvements for the coming year.

The Prime Minister will be continuing these seminars in the Autumn, and would be grateful if your Secretary of State could attend a session to discuss the Department of Education and Science. We will be getting in touch with you shortly to arrange a meeting, probably early in 1987.

These discussions are not to be seen as part of the public expenditure negotiations. Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks would also be present.

The Prime Minister hopes that your Secretary of State will speak for about 20 minutes, and will cover both the main improvements that have been achieved in the past year and what is going to be achieved in the next year. This would be followed by about 40 minutes of discussion.

I am sending a copy of this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

Yours

Mark Addison

(MARK ADDISON)

SoS
Perm Sec
Ibbs
RiA

R. L. Smith, Esq.,
Department of Education and Science.

JA

file bc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 July 1986

Dear Tony

The seminar earlier this year on NHS performance indicators was one of a series of seminars the Prime Minister holds on value for money. Seminars for a number of departments have now taken place where the Secretary of State and the Permanent Secretary have been able to describe the most important improvements in value for money in the past year and look forward to planned improvements for the coming year.

The Prime Minister will be continuing these seminars in the Autumn, and would be grateful if your Secretary of State could attend a session on the social security operations of the Department. We will be getting in touch with you shortly to arrange a date and time for a meeting.

The Prime Minister is anxious to keep the sessions small but your Secretary of State may want to be accompanied by his first and second Permanent Secretaries. These discussions are not to be seen as part of the public expenditure negotiations. Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks would also be present.

The Prime Minister hopes that your Secretary of State will speak for about 20 minutes, and will cover both the main improvements that have been achieved in the past year against a background of a rising workload and what is going to be achieved in the next year. This would be followed by about 40 minutes of discussion.

I am sending a copy of this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

Yours ever

Mark Addison

(MARK ADDISON)

Tony Laurance, Esq.,
Department of Health and Social Security.

PS
~~PS to Minister~~
Perm Sec
Second Perm Sec
Ibbs
RTA

JA

File bc BG.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 July 1986

Dear Mike

The Prime Minister holds seminars on value for money at which the Minister in charge of a department and the Permanent Secretary have been able to describe the most important achievements in value for money in the past year and look forward to planned improvements for the coming year.

The Prime Minister will be continuing these seminars in the Autumn, and would be grateful if your Minister could attend a session on the Board of Customs and Excise. We will be getting in touch with you shortly to arrange a meeting.

The Prime Minister is anxious to keep the sessions small but your Minister may want to be accompanied by the Chairman. These discussions are not to be seen as part of the public expenditure negotiations. Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks would also be present.

The Prime Minister hopes that your Minister and the Chairman together will speak for about 20 minutes, and will cover both the main improvements that have been achieved in the past year and what is going to be achieved in the next year. This would be followed by about 40 minutes of discussion.

I am sending a copy of this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

Yours ever

Mark Addison

(MARK ADDISON)

Mike W. Norgrove, Esq.,
HM Treasury.

Mr Stark, Treasury
(Brooke)
Chairman of Cust
Ibbs
RTA

JA

File bc BG EU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

14 July 1986

Dear John

The Prime Minister regularly holds small seminars with her senior colleagues to discuss the progress that is being made in improving value for money in their Departments. Your Secretary of State took part in such a seminar when he was Secretary of State for Scotland.

The Prime Minister would like to invite him to give her a presentation later this year focussing on the work of the Procurement Executive. Mr. Younger could be accompanied by Sir Clive Whitmore and Mr. Peter Levene. Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks would also be present.

The normal form is that your Secretary of State would speak for about 20 minutes, sharing some of the time, if he wishes, with Mr. Levene. The Prime Minister will want to hear both about past achievements and about plans to bring about still better performance in the future. There would then be perhaps 40 minutes for discussion. You may like to discuss in advance with the Efficiency Unit the ground which Mr. Younger would propose to cover in his talk.

We will be in touch shortly to fix a date.

Yours ever
Mark Addison

(MARK ADDISON)

John Howe, Esq.,
Ministry of Defence.

~~Sir~~ M. SoS
Levene
PermSec
Ibbs
ILiA

OIC

CC BS

CF
could create file please.
MEA 14/7

MR ADDISON

At flap - Pt 19

I am attaching draft letters for the private secretaries to the Ministers involved in the next VFM seminars.

drafts with MEA 14/7

Kate Jenkins

Kate Jenkins
11 July 1986

JS13/MA1

R. L. Smith
TAABW

DRAFT LETTER FOR SIGNATURE BY MARK ADDISION

Private Secretary to the Secretary of State
for Education and Science

As your Secretary of State will know from his time at DOE the Prime Minister holds seminars on value for money at which the Secretary of State and the Permanent Secretary describe the most important improvements in value for money in their department in the past year and look forward to planned improvements for the coming year.

The Prime Minister will be continuing these seminars in the Autumn, and would be grateful if your Secretary of State could attend a session to discuss the Department of Education and Science. ~~I~~ We will be getting in touch with you shortly to arrange a meeting, probably early in 1987.

These discussions are not to be seen as part of the public expenditure negotiations and apart from the Prime Minister the only others present will be Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks. || delete

The Prime Minister hopes that your Secretary of State will speak for about 20 minutes, and will cover both the main improvements that have been achieved in the past year and what is going to be achieved in the next year. This would be followed by about 40 minutes of discussion.

I am sending a copy of this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

Tony Laurance Esq

JS13/MA

DRAFT LETTER FOR SIGNATURE BY MARK ADDISION

Private Secretary to the Secretary of State
for Social Services

The seminar earlier this year on NHS performance indicators was one of a series of seminars the Prime Minister holds on value for money. Seminars for a number of departments have now taken place where the Secretary of State and the Permanent Secretary have been able to describe the most important improvements in value for money in the past year and look forward to planned improvements for the coming year.

The Prime Minister will be continuing these seminars in the Autumn, and would be grateful if your Secretary of State could attend a session on the social security operations of the Department. We will be getting in touch with you shortly to arrange a meeting. ~~We ok~~ date and time for a meeting.

The Prime Minister is anxious to keep the sessions small but your Secretary of State may want to be accompanied by his first and second Permanent Secretaries. These discussions are not to be seen as part of the public expenditure negotiations ~~and apart from the Prime Minister the only others present will be~~ Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks. would also be present.

The Prime Minister hopes that your Secretary of State will speak for about 20 minutes, and will cover both the main improvements that have been achieved in the past year, and what is going to be achieved in the next year. This would be followed by about 40 minutes of discussion.

I am sending a copy of this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

KC6:PS/MOD

John Howe.

DRAFT LETTER FOR SIGNATURE BY MARK ADDISON

Private Secretary to the Secretary of State
for Defence

The Prime Minister regularly holds small seminars with her senior colleagues to discuss the progress that is being made in improving value for money in their Departments. Your Secretary of State took part in such a seminar when he was Secretary of State for Scotland.

The Prime Minister would like to invite him to give her a presentation later this year focussing on the work of the Procurement Executive. Mr Younger could be accompanied by Sir Clive Whitmore and Mr Peter Levene. The only other participants would be, besides the Prime Minister, Sir Robert Armstrong, Sir Robin Ibbs and a Private Secretary.

The normal form is that your Secretary of State would speak for about 20 minutes, sharing some of the time, if he wishes, with Mr Levene. The Prime Minister will want to hear both about past achievements and about plans to bring about still better performance in the future. There would then be perhaps 40 minutes for discussion. You may like to discuss in advance with the Efficiency Unit the ground which Mr Younger would propose to cover in his talk.

I will be in touch shortly to fix a date.

JAA ABN

JS13/MA2

DRAFT LETTER FOR SIGNATURE BY MARK ADDISION

Private Secretary to the Minister of State
at the Treasury

Mike W. Norgrove

The Prime Minister holds seminars on value for money at which the Minister in charge of a department and the Permanent Secretary have been able to describe the most important improvements in value for money in the past year and look forward to planned improvements for the coming year.

The Prime Minister will be continuing these seminars in the Autumn, and would be grateful if your Minister could attend a session on the Board of Customs & Excise. I will be getting in touch with you shortly to arrange a meeting.

The Prime Minister is anxious to keep the sessions small but your Minister may want to be accompanied by the Chairman. These discussions are not to be seen as part of the public expenditure negotiations and apart from the Prime Minister the only others present will be Sir Robin Ibbs, Sir Robert Armstrong and Nigel Wicks.

The Prime Minister hopes that your Minister and the Chairman together will speak for about 20 minutes, and will cover both the main improvements that have been achieved in the past year and what is going to be achieved in the next year. This would be followed by about 40 minutes of discussion.

I am sending a copy of this letter to Sir Robin Ibbs and to Sir Robert Armstrong.

JA2 KB.t

CR

PL await the letter from Kate Jenkins.
MEA 10/7

MR. ADDISON

VALUE FOR MONEY SEMINARS

You have asked me for two slots between now and Christmas and two slots after Christmas. I offer the following:

Monday 20 October	1430-1630
Monday 24 November	1430-1630
Monday 12 January	1430-1630
Monday 2 February	1430-1630

CR

(CAROLINE RYDER)
10 July 1986

CR

PC awaits the letter from Kate Jenkins.
MEA 10/7

MR. ADDISON

VALUE FOR MONEY SEMINARS

You have asked me for two slots between now and Christmas and two slots after Christmas. I offer the following:

✓	Monday 20 October	1430-1630	Health
	Monday ~~24~~ 6 November	1430-1630	Treasury Defence
? ✓	Monday ~~12~~ 26 January	1430-1630	Ed.
? ✓	Monday 2 February	1430-1630	Treasury

CR.

(CAROLINE RYDER)
10 July 1986

E.R.

Caroline

VALUE FOR MONEY SEMINARS

Would you earmark two slots before Christmas for the next two Value for Money Seminars, one with the social security side of DHSS and one with the procurement executive? We shall also need two more slots in the new year, the first with DES and the second with Customs and Excise.

All you need do at this stage is identify possible times in the diary. I will be writing to the Departments concerned, and you can get in touch with them to set the meetings up after I have done so.

MCR

14.30 - 16.30 20/19 Mon
" 24/11/Mon
" 12/1 "
" 2/2 Mon

Mark

9 July 1986

SPW (36)

10 DOWNING STREET

From the Private Secretary

Miss Jenkins

VALUE FOR MONEY SEMINARS

The Prime Minister has seen Sir Robin Ibbs' minute of 3 July, and agreed that we should identify a number of Departments, who should be invited to the next set of seminars. Your minute to me of the same date put forward a number of specific proposals.

The Prime Minister has agreed to try and fit into the diary seminars with the Procurement Executive and the Social Security side of the DHSS before Christmas. She anticipates a seminar with DES early in the New Year followed by Customs and Excise. I have asked Caroline Ryder here to identify some possible slots in the diary. Meanwhile I should be grateful if you would let me have appropriate draft letters to send the Departments concerned. When those have gone out we can proceed to finalise some dates.

(MARK ADDISON)

7 July 1986

SPW

CF

Yes please.

MCTA 7/7

PRIME MINISTER

VALUE FOR MONEY SEMINARS

Robin Ibbs' note (attached) confirms the impact he thinks your seminars with Departments are having.

His Office have proposed that the next tranche of Departments (or parts of Departments) to tackle should be as follows:

MOD Procurement Executive
Social Security (DHSS)
Customs and Excise
DES

Agree that we should try and fit into the diary the Procurement Executive and Social Security before Christmas? Customs and Excise could then come early in the New Year and DES a little later, by which time Kenneth Baker will have had a chance to get to grips with the management of the Department.

Does Customs & Excise come within our jurisdiction?

N.L.W.

Mark Addison

4 July 1986

DG2BES

MR ADDISON

4 July 1986

VFM SEMINARS

Kate Jenkin's minute to you of 3 July discusses possible subjects for further VFM Seminars. Can I strongly support her suggestion of social security administration? We devoted a lot of time to policy on benefits in 1985, but the actual mechanism for delivering them is easily overlooked. As David Norgrove knows, I am increasingly worried about corners being cut in benefits administration, and recent discussions of Workfare have shown how much pressure DHSS is under.

David Willetts

DAVID WILLETTS

BF 4 7 86

See below

10 DOWNING STREET

MR WICKS

I have been asked by one of the Departments involved to confirm the classification of the report you circulated at Tab "A". I think the hint is that if it is CONFIDENTIAL this should appear on every page, and your letter should be Covering Confidential

However, perhaps the report only needed a "privacy" marking.

Charles Yate

3 July 86.

MEA.

TC deal with this.

I hope it all can be declassified

N.L.W.

CF

W redy check with the Library but please enter letter now. I am sure it should be declassified. MCA 3/7

3.7

OW

CCBG

SR12:PM3/7

PRIME MINISTER

The Value for Money seminar you had with the Home Office was a great success. It was clear that they are now facing up to the difficult management issues they have and are not being deflected from their longer-term strategy by short-term problems. Your role at these meetings is of critical importance in ensuring that they continue the good work. The Unit's impression is that the Home Office were greatly heartened by the interest you showed and the encouragement you gave them.

The Unit is in discussion with your office about the next departments to invite for seminars. The success of those you have had to date reinforces my view that these sessions represent an essential element in maintaining the momentum of change in departments and of encouraging those who are already working in the way we would wish to see.

ROBIN IBBS
3 July 1986

CUBG

JS13:MA3/7

MARK ADDISON 8/7

VFM SEMINARS

ATTACHED

Robin Ibbs has written to the Prime Minister today about the success of the Home Office VFM Seminar. We have no more fixtures in the timetable. The next best subjects for seminars might be the Procurement Executive and the Social Security side of the DHSS (the NHS were done in the Spring). I think it would also be valuable if there is time before the end of the year to see the Customs and Excise who, although not often in the limelight, appear to us to be doing extremely well in developing and sustaining greatly improved management systems.

Finally, early next year it would be valuable to have a seminar with DES. By then they will have received reports on the management of all the higher education sector and Kenneth Baker will have had long enough to get to grips with the detail of the department.

Kate Jenkins
3 July 1986

da
44

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

SIR ROBIN IBBS

The Prime Minister has seen your minute of 17 June, and the report on implementation of the 1983 scrutiny programme.

She is grateful to you for letting her know of the progress being made on implementation, and has noted that delays are continuing to reduce the savings which scrutinies should be achieving. She believes that more effective and earlier implementation of scrutiny recommendations must be obtained. She has accordingly urged that the pressure be kept up on departments.

The Prime Minister would like to have a word with you about implementation at a convenient moment, and I suggest that the next value for money meeting might be the right occasion for this. I do not think we have any such meetings in the pipeline at present, and I should accordingly be grateful for advice on the department(s) who might be approached next.

I am copying this to Michael Stark (Cabinet Office).

(Mark Addison)

25 June 1986

CR
pm please.

PRIME MINISTER

IMPLEMENTATION OF SCRUTINIES

You said you would like to have a word with Robin Ibbs about implementation. I know Sir Robin would agree with you that the existing record is not good enough, and he is devoting a good deal of effort to improving it.

It will be difficult in terms both of your diary, and Sir Robin's, to arrange an early meeting. I wonder if the best course would be to add this item to the agenda at the next value for money meeting, on which Sir Robin will be providing advice in due course.

Meanwhile I could write to him to indicate your strong views that Departments must be firmly encouraged to do a good deal more to secure the promised savings from scrutinies.

Agree?

Mark Addison

Yes MT

Mark Addison
24 June 1986

JA2AAJ

File

OA

10 DOWNING STREET
LONDON SW1A 2AA
From the Private Secretary

23 June 1986

Thank you for your letter of 19 June to Nigel Wicks. I am sorry the distribution list on our letter of 30 May on Value for Money Targets omitted you. This was an oversight which all of us here will do our best in the future not to repeat.

I am copying this letter to Kate Jenkins in the Efficiency Unit.

(Mark Addison)

Paul Thomas, Esq.,
Office of the Minister for the Arts.

E.R.

PRIME MINISTER

IMPLEMENTATION OF SCRUTINIES: 1983 SCRUTINY PROGRAMME

Robin Ibbs reported to you a year ago on the progress made with the implementation of scrutinies since 1979. Since 1979 there had been 266 scrutinies and cumulative savings amounting to around £750 million. But if implementation had been achieved more quickly, total savings might have been higher by £300 million.

The attached report from Sir Robin Ibbs updates you on the 1983 scrutiny programme. So far, only about 30 per cent of the accepted savings have been achieved. But Sir Robin notes that the action taken last year (which included a publication with a foreword from you) has not yet had a chance to take effect.

It is clearly important that the Efficiency Unit keep up the pressure on Departments, though as Sir Robin says, there is little point in publishing this most recent report.

Agree:

(i) to thank Sir Robin for the report and agree that it should not be published;

(ii) to note that delays in implementation are still reducing savings which can be achieved;

(iii) urge him to keep up pressure on Departments.

MCA

I really think we must do better on implementation.

Can I have a word about it with Sir Robin.

MT

MARK ADDISON
20 June 1986
EL3BFU

Mark

PL deal

NCU
23.6

Cabinet Office

MANAGEMENT AND PERSONNEL OFFICE

From the Minister of State
Privy Council Office
Richard Luce MP

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

Nigel Wicks Esq
Principal Private Secretary
10 Downing Street

19 June 1986

Dear Mr Wicks,

FLAP PT 20

As you may have gathered, we learnt only recently of your letter of 30 May to Cabinet Members and others about Value for Money Targets. The distribution list did not include my Minister, even though he has two departments and has a particular interest in Value for Money because of his Civil Service responsibilities.

There have been a number of instances lately where our interests in correspondence have been overlooked. I should therefore be grateful if you would bring this letter to the attention of your distribution staff and ask them to bear our interests in mind.

A copy of this letter goes to Kate Jenkins in the Efficiency Unit.

Yours sincerely,

PP. PAUL THOMAS
Private Secretary

GOUTMACH
RAYNER
PT21

JS12/NW

MR WICKS

HOME OFFICE VALUE FOR MONEY SEMINAR

In addition to the points Robin Ibbs made at the end of the meeting the other main points which arose from the discussion seem to me to be:

(1) Police

- It was critically important to ensure that the police had clear targets and indicators to demonstrate increased performance against increased resources. To prevent over-simplification of difficult issues, the development of a matrix of indicators would be valuable.

- It was important to maintain a real pressure on the police to achieve improvement.

- It was important to ensure that the scrutinies in the Metropolitan Police were done on the same rigorous lines as scrutinies directly monitored by the Efficiency Unit and that the Home Office had a substantial role to play in ensuring this was the case.

(2) Prisons

- It was important to set realistic but demanding targets.

- It was also important to be clear about the longer term gains from having good management systems in place and not to be deflected from those objectives by short-term problems.

(3) Magistrates Courts

- A scrutiny might be a helpful way to clear the ground and establish the facts as a first step to real improvement in management in the Magistrates Courts.

(4) Probation Service

- The scrutiny of the Probation Inspectorate would be a valuable start to looking at the work of Inspectorates more generally.

Kate Jenkins
18 June 1986

CF: PP's please - file with previous report (1985) please.
MCA 19/6

SR12:PM9/6

PRIME MINISTER

IMPLEMENTATION OF SCRUTINIES: 1983 SCRUTINY PROGRAMME

Following the Unit's 1985 report on the implementation of scrutinies, you asked for a progress report in 1986. The attached note sets out the current state of play on the 1983/84 scrutiny programme. The action we took last year to improve implementation came too late to have a major effect on the follow-up of these scrutinies. The note therefore tells us little new and I see no benefit in circulating it to Departments. The main need is for the Unit to keep the pressure on Departments to implement scrutiny recommendations as fully and as speedily as possible.

The 1983 scrutiny programme was not a good one; in size and subject matter it was the weakest there has been. Because 1983 was an election year, Departments were disinclined to consider major issues radically; and the Unit itself went through a period of uncertainty between Derek Rayner's departure and my arrival.

Nevertheless the 20 scrutinies identified £22.8 million worth of potential savings; of these, 59% (£13.5m) have so far been accepted. But two years on, only about 30% of these accepted savings have been achieved. This emphasises the need to generate a greater sense of urgency in deciding and acting on scrutiny recommendations.

The 1984 scrutiny programme was a good deal more substantial. So far only a third of the recommendations for that year have been accepted; two-thirds are pending. This is not good enough. The Unit will keep putting pressure on Departments to maintain the momentum of the scrutiny approach through the period of decision-taking and implementation. I want actual results as fast as they can be achieved. Delay costs money. I will report to you next April when I hope to have a better story to tell. In the meantime I suggest that you reinforce the need for a sense of urgency in your Value for Money seminars which we have already agreed should continue.

Incidentally, the National Audit Office reported in April on "Raynerism: The Scrutiny Programme from 1979-1983". Their findings generally were positive and encouraging. They share our view that success depends crucially on the commitment of senior management and they support our drive on implementation.

I am copying this note to Robert Armstrong.

JR

ROBIN IBBS
17 June 1986

SR12:Imp9/6

IMPLEMENTATION OF THE 1983 SCRUTINY PROGRAMME

Progress on Implementation

The 20 scrutinies in the 1983 programme identified potential savings of £23 million.

There were good scrutinies in the programme which produced worthwhile changes in addition to the direct savings. For example, as a result of the CCTA scrutiny, Departments now have real responsibility for initiating and implementing information technology projects, with CCTA acting in a strategic/advisory role. The DHSS scrutiny on Recovery of Overpayments found weaknessess in the legislation and recommended real improvements in the scope and speed of recoveries. The re-organisation of Civil Legal Aid assessment in DHSS and the centralisation at Preston have been so effective that higher savings than those in the scrutiny report are now going to be achieved. It is encouraging that all these recommendations have been pursued without undue delay.

However, of the £23 million identified savings:

- £13.5 million (59%) have been accepted
- £ 3.7 million (16%) are still awaiting decisions
- £ 5.6 million (25%) have been rejected or considered unobtainable.

By the end of 1985/86, some 30% of accepted savings had been made. 70% are likely to be achieved by the end of the current financial year and 90% by the end of 1987/88. Details for each scrutiny are in Annex 1 and the major recommendations set out in Annex 2.

Acceptance of Scrutiny Recommendations

Overall, the proportion of recommendations accepted is much the same as earlier years. This should increase in future years as the recommendations in the implementation report "Making Things Happen" take effect.

The recommendations which are still pending have generally been superseded by other decisions. For example,

- the major recommendations from the scrutiny of Occupational Pension Schemes have largely been overtaken by the Review of Social Security;
- recommendations from the Agricultural Science and Food Sciences Laboratories scrutiny on charging central users for services have been overtaken by a separate and wider decision to charge for a certain proportion of costs across the whole range of the Agricultural Development and Advisory Service's activities.

Implementation of Accepted Recommendations

Reasonable, but not outstanding, progress has been made in implementing accepted recommendations. Some small scrutinies (eg. of the Scottish

Office Publicity Section) have been fully implemented and all the recommended savings achieved.

Some delays have occurred for legitimate reasons. For example:

- the need for legislation (scheduled for 1986) has delayed implementation of changed arrangements for recovering social security overpayments; and
- the relocation of laboratories, such as the National Weights and Measures Laboratories and Food Sciences Laboratories, has to wait for purpose built buildings to be ready.

In other cases, delays have resulted from difficulties with new computer systems which have delayed revised work patterns and the subsequent staff savings (eg. Supervision of Insurance Companies, DOE(NI) Stores System). Subsequent reviews (including staff inspections) have also held up implementation (eg. the Scrutiny of Accountancy Needs in DTI).

Overall there is still scope for decisions to be taken sooner and for implementation to be tackled more eagerly.

Lessons

I am confident that the Unit's relationship with and influence on Departments is steadily improving.

In its dealings with Departments, the Unit will ensure that everyone concerned acts upon the 3 main lessons to be drawn from the 1983 scrutiny programme:

First, Departments must take decisions on recommendations and implement accepted recommendations promptly. A keener sense of urgency needs to be fostered.

Second, Departments should take greater care in selecting scrutiny topics. Areas which are likely to be fundamentally changed by other policy reviews during the two year implementation period should be avoided as scrutiny topics. This will avoid wasted effort.

Third, Departments should avoid re-examining the work done by the scrutiny team. Evaluation of the scrutiny report is clearly an essential part of decision-taking but improved co-operation between scrutiny teams and action managers should mean that the scrutiny evidence provides a generally accepted basis for decisions.

Efficiency Unit
17 June 1986

ANNEX 1

1983 SCRUTINY PROGRAMME

SUMMARY

Scrutiny		Accepted (£m)	Pending (£m)	Rejected/Unobt (£m)	Implemented by 1985/86	%
HO:	Training of Staff	0.165	-	0.066	0.165	100
LCD:	Investment Activities	0.264	-	0.168	-	NIL
HMT:	Central Computer and Telecommunications Agency	1.400	-	-	0.6	43
DNS:	Withdrawing National Savings Certificates	-	-	-	-	-
C&E:	VAT Central Unit	1.500	-	-	0.75	50
DTI:	Accountancy Needs	0.029	0.114	0.120	0.029	100
MPO:	Recruitment	-	-	-	-	-
HSE:	Field Activities of Inspectorates	-	-	-	-	-
MAFF:	Agriculture Science Laboratories	0.384	2.100	0.186	0.230	60
DOE:	Communications with Public	-0.062	-	-	-0.010	16
SO:	Information Office	0.030	-	-	0.030	100
WO:	Use of Paper	-	0.237	-	-	-
NIO:	DOE(NI) Stores	1.733	-	0.205	0.850	4.9
DHSS/LCD:	Civil Legal Aid	3.100	-	3.000	-	NIL
DHSS/IR:	Supervision of Occupational Pension Schemes	0.074	1.018	-	0.074	100
DHSS:	Recovery of Overpayments	2.950	-	1.816	0.543	18
DTI:	Supervision of Insurance Companies	0.059	0.151	-	0.059	100
DTI:	Weights and Measures Laboratories	0.446	0.076	0.058	0.056	13

DES:	Grants to Higher Education Institutions	0.084	-	-	0.084	100
DTP:	Driving Test Organisations	1.320	-	0.121	0.626	47
TOTAL		13.476	3.696	5.632	4.086	30
		59%	16%	25%		(of accptd)

JB7:83RECOM

1983 SCRUTINY PROGRAMME: MAJOR RECOMMENDATIONS

Dept	Scrutiny	Recommendations
HO	Training of Staff	- decentralisation of responsibility for training
LCD	Investment Activities	- contract out management of Common Investment Fund unit trusts - adopt 'last resort' policy for acceptance of new trusts by Public Trustee
HMT	Central Computer and Telecommunications Agency	- recovery from Departments of cost of CCTA's advice - greater Departmental responsibility for initiating and implementing projects, with CCTA in strategic role
DNS	Withdrawing National Savings Certificates	- revised administrative arrangements
C&E	VAT Central Unit	- revised staff arrangements to reduce errors and speed-up processing to minimise interest foregone
DTI	Accountancy Needs	- upgrade training of accountants - greater use of 'outbedding' and using accountants in line management posts.
MPO	Recruitment	- improve cost-effectiveness of recruitment through 'business plan' for Civil Service Commission and examination of appropriate relationship between Commission and Depts (including charging Depts for services provided).
HSE	Field Activities of Inspectorates	- develop improved cost and performance indicators as means of assessing efficiency of activities.
MAFF	Agricultural Science Laboratories	- co-location of laboratories - closure of certain outstations - charges for services provided to central users.
DOE	Communications with the Public	- establish Communications Services Unit to promote corporate strategy for communications and focal point. - individual managers to have information production budgets. - detailed study of ad hoc enquiries handling.

SO	Information Office	- greater co-ordination of publicity campaigns.
WO	Use of Paper	- internal campaign for efficient use of paper.
NIO	DOE(NI) Stores	- reduce locations at which stocks held and reduce value of stocks held. - computerise stores accounting. - staff reductions.
DHSS/ LCD	Civil Legal Aid Assessment	- transfer assessment of eligibility from DHSS to LCD. - centralise assessment in one office. - replace interviews with financial statement forms. - reduce eligibility limits.
DHSS/ IR	Government Supervision of Occupational Pension Schemes	- relax requirements and reduce supervision of pension schemes. - greater selectivity in monitoring compliance. - examine alternative controls on lump sums (eg tax or prohibition). - relaxation of requirements for issue of 'contracting-out' certificates.
DHSS	Recovery of Overpayments	- introduce common overpayments test. - re-organise overpayments work. - greater recovery powers of overpayments.
DTI	Supervision of Insurance Companies	- computerisation of data contained in returns. - examine scope for less frequent examination of cases.
DTI	National Weights and Measures Laboratory	- relocation out of Central London. - new fee charging structure.
DES	Grants to Non-Maintained Higher Education Institutions	- no new cases of grant-aided status. - resolve anomalous cases of grant-aiding. - integrate remaining grant-aided institutions into existing higher education sectors.
DTp	Driving Test Organisation	- introduce better management information systems and performance measures - shortening tests and reducing staff 'downtime'. - develop computer strategy.

GOUT MACH

RAYNER

PT21

LOR

file

SUBJECT cc MASTER

10 DOWNING STREET

From the Principal Private Secretary

17 June 1986

Dear Stephen,

VALUE FOR MONEY SEMINAR: HOME OFFICE

The Home Secretary gave a presentation this morning on the main areas of Home Office expenditure drawing particular attention to the quantified targets which had been set.

POLICE

The Home Secretary stressed the importance of keeping up the drive for value for money at a time when more resources for the police service were being made available. Increasing attention was being focussed on the measurement of the efficiency and effectiveness of the police service. The drive to civilianise police posts was being maintained. An important target was the requirement to ensure that extra police manpower was only sanctioned for identifiable extra duties for identifiable objectives. Sir Robin Ibbs added that to prevent over-simplification of difficult issues, the development of a matrix of indicators would be valuable. It was noted that since the remit of H.M. Inspectorate did not run to the Metropolitan Police, Home Office officials had increasingly to undertake the investigation of efficiency functions. The extension of a scrutiny technique to the Met was helpful in this regard, though such scrutinies should be genuine investigations and not cosy inquiries.

There was a brief discussion of the case for publishing information on the number of crimes committed by and on the ethnic minorities. The Home Secretary said that he would shortly be publishing data on the ethnic numbers of the prison population. This would show that the prison population included proportionally more blacks.

Summing up this part of the discussion the Prime Minister said that in order to help maintain a real pressure on the police to achieve improvement, it was critically important to ensure that they had clear targets and indicators to demonstrate increased performance against increased resources. It was important too to ensure that the scrutinies in the Metropolitan Police were done on the same rigorous lines and scrutinies directly monitored by the Efficiency Unit and that the Home Office had a substantial role to play in ensuring that this was the case.

ECL

PRISONS

The Home Secretary explained that almost half the £653 million annual expenditure on the prison service was for pay and allowances. Value for money of this expenditure could only be obtained if management could exercise its proper authority in the running of the prisons; this was, of course, behind the current dispute with the Prison Officers' Association. Quantified targets had been successfully introduced. It was a tribute to the service that it had coped with the great surge in prison population last year without an increase in overtime.

During the discussion of prison industries, the Prime Minister said that while prison industry enterprise needed to be encouraged, care should be taken to avoid unfair competition with local industry. Sir Brian Cubbon emphasised the difficulties of prison Governors in achieving efficiencies in prison industries when the average prisoner stayed in one prison for only six weeks. The entrenched working practices of the prison officers also hindered effective operations. Nevertheless, considerable strides had been made in improving financial controls and effectiveness in this area in the last year or so.

The Prime Minister urged that further attention should be paid to ensuring that the Magistrates Courts were run efficiently with the least possible demands on prison officers' time. One difficulty noted in this area was that many Justices Clerks did not attach high priority to value for money issues.

The Home Secretary then referred to his recent minute on the prison population and drew attention to the differences in cost of the different methods of dealing with offenders. The Prime Minister urged greater use of deductions for fine defaulters.

Summing up this part of the discussion the Prime Minister said that it was important to set realistic but demanding targets for the prison service. It was also important to be clear about the longer term gains from having good management systems in place and not to be deflected from those objectives by short-term problems. A scrutiny might be a helpful way to clear the ground and establish the facts as a first step to real improvement in management in the Magistrates Courts.

FIRE

The Home Secretary noted that this area of expenditure was less under Home Office control. Some fire authorities were more responsive to value for money issues than others, and further work was necessary here despite improvements of recent years. He was concerned that expenditure on fire fighting equipment had lagged somewhat, with the result that it was in some areas out of date.

IMMIGRATION

The Home Secretary reported that the immigration services were coping extremely well despite the enormous pressures upon them. The Prime Minister agreed.

In a general discussion about immigration policy, the Prime Minister expressed dislike for the facility whereby people permitted to stay here for five years had the ability to apply for permanent residence. The Home Secretary noted the constraints imposed by the 1981 United Nations convention on refugees. The Prime Minister commented that drug problems, crime and terrorism made it important to consider such issues on a European scale. The Home Secretary said that he intended to continue discussions on these matters with his European colleagues.

Commenting generally on the Home Office's achievements in securing value for money, Sir Robin Ibbs said that despite the political problems the Home Office achievements had been considerable, especially in maintaining their efforts for increased value for money. The Department's positive use of the scrutiny technique was to be commended. They now needed to keep up the pressure in order to bring forward results. The Inspectorates were also to be commended in their increasing emphasis on value for money issues while maintaining at the same time their traditional interest in service standards.

The Prime Minister thanked the Home Secretary for the presentation and commended the considerable strides made in recent years by the Home Office in financial management. The task now was to maintain the continuing search for efficiency.

I am sending copies of this letter to Jill Rutter (Chief Secretary's Office), Paul Thomas (Mr. Luce's Office), Sir Robert Armstrong, Sir Brian Cubbon and Sir Robin Ibbs.

Yours sincerely

Nigel Wicks

N.L. WICKS

Stephen Boys Smith, Esq.,
Home Office.

CPRG

1. Mr Wicks
2. Prime Minister ②

PRIME MINISTER

VALUE FOR MONEY

file on B/UP

You wrote to me on 27 May about value for money. Kenneth Baker and his predecessors have built good foundations here in DOE and I intend to take full advantage of these to make further progress in this important area.

Robin Ibbs and Kenneth discussed DOE's value for money targets on 15 May. My officials are already taking forward the work required as a result of that meeting. In addition, as part of the continuing refinement of MINIS, my officials are now working towards the specification of the next MINIS round (MINIS 8) which begins in the autumn. This includes strong emphasis on policy performance indicators - essential elements in the value for money equation. The aim is to provide indicators tailored to the needs of top and line managers throughout DOE, and I have asked my Permanent Secretary to keep in touch with Robin Ibbs and his staff about this.

I myself last met Robin in May, when I was in my previous post. I am therefore very aware of his thinking. I look forward to discussing progress in DOE with him when plans for MINIS 8 are firm in the early Autumn.

I am copying this minute to Robert Armstrong and Robin Ibbs.

NR

N R

16 June 1986

GOVT MACH Rayner PT21

cc BG

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

Sir Robin Ibbs
Efficiency Unit
70 Whitehall
LONDON
SW1A 2AS

16 June 1986

MBM

Dear Robin.

The Prime Minister has minuted at flap PT20 me to suggest that we might meet to discuss my Department's plans for improving value for money.

You met my predecessor in May, and I do not wish to change the targets which he discussed with you then. I suggest that, if we arrange to meet in the autumn (say towards the end of October) we shall have up-to-date information on progress towards these targets in the first half of 1986/87. The Rayner Scrutiny programme should also be well under way, and we will be making preparations for the Department's 1987 Plan. I should very much welcome an opportunity to discuss progress with you at that stage.

If this is acceptable to you, my private office will be in touch with yours about a date.

I am sending a copy of this letter to the Prime Minister and to Sir Robert Armstrong.

Yours ever
John

JOHN MOORE

GOVT MACH Rayner PT21

CC B/up

PRIME MINISTER 16 June 1986

VALUE FOR MONEY SEMINAR: THE HOME OFFICE

TUESDAY, 17 JUNE 1986

We set out below some questions you might wish to ask under the four seminar headings.

A. Police

1. Management discretion over use of resources. You may recall that the Commandant of Bramshill College stated: "I virtually have to ask Home Office permission if I want to buy a light bulb". He also said that if he was given more discretion, he could raise the income of the Police College very considerably. You could ask how much thought has been given to permitting police institutions, such as Bramshill and Hendon College, discretion to manage their budgets and raise their own funds, for example by allowing in outside students for a fee. Already foreign police students are trained for payment. Isn't there much more scope in, for example, courses for private security firms?

2. Police overtime. What moves could the Home Office arrange to ensure that Chief Inspector and Inspector were no longer overtime grades? Wouldn't removing the vested interest of these grades of management in pushing up overtime levels bring long-term benefit? Would this be a way to stop these

grades acquiescing in the high overtime levels of those below them?

B. Prisons

1. Again, you might ask what discretion could be given to Governors of prisons to allow them to use both land and human resources much better. When we inspected a prison in Norfolk, for example, the Governor had huge unused capital resources, both buildings and land. He said the Home Office régime was stultifying: it meant, for example, that a Governor could not order some of the prisoners to go into the prison grounds - some of it totally unused wasteland - to do basic weeding, without permission. ~~Granted their - to do basic weeding~~. Granted their manning level disputes, shouldn't management be given more discretion?

2. You could ask the Home Office if they were willing to explore the contracting-out of prisoners with a low grade security rating. Norway and France are pioneering European work on this. The USA have demonstrated that huge savings are obtainable. For example, Weyland Prison cost £18m to build (opened last year). A private sector prison of similar size and for a similar category of prisoner cost £3-4m in Chattanooga Tennessee. Does the Home Office have this option under research?

C. The Fire Service

You will be told that the Communist-led unions in the Fire Service have a stranglehold over manning practices.

Bearing in mind the private sector origins of the Fire Service, what research is being done to demonstrate the feasibility of a private service? This would concentrate the minds of Fire Service managers.

D. Magistrates Courts and Probation Service

1. You might ask whether there was any willingness to consider new design possibilities in courts to save time. We believe a number would help. For example, thousands of hours of expensive time from police and professional services are spent uselessly waiting in the corridors of courts. Courts could either profitably provide small waiting rooms for a charge for busy court-users; or allow the private sector to provide such facilities alongside courts.

2. What research is being done to streamline 90% of magistrates court, namely traffic cases?

3. Is the Home Office researching new ways of avoiding expensive custodial treatment, such as the excellent Kent scheme sending juveniles to special foster homes rather than institutions, thus taking pressure directly off Care Homes, and indirectly off Detention Centres and Borstals?

Hartley Booth.

HARTLEY BOOTH

cc BG
cc BLMP

Prime Minister.
You might wish to look through these papers, for Tuesday's meeting, over the weekend. The minute from the Home Secretary, though not directly concerned with VFM, seems likely nonetheless to come up.
MER 13/6

JS12RI18

PRIME MINISTER

VALUE FOR MONEY SEMINAR: TUESDAY 17 JUNE 1986

This meeting with Douglas Hurd is a second opportunity to review value for money work in the Home Office. The last meeting was with Leon Brittan in July 1984. Douglas Hurd is planning to discuss the targets he is using this year to improve the effectiveness of departmental management. The main issues will be:

- measuring the effectiveness of police use of resources
- improving the management of the Prisons Service
- expenditure targets for the fire service
- management of Magistrates Courts and the Probation Service.

In my view the Home Office has come a long way in the last two years. They are now concentrating systematically on getting higher value from their largest categories of expenditure. They have had difficult political issues to cope with but Brian Cubbon in particular has done a great deal to develop and strengthen better management on very unfriendly territory. There is of course still a long way to go and in the Home Office there is always the risk of short-term difficulties damaging longer term achievements. Some praise and encouragement from you would be valuable.

Handling

Douglas Hurd will make a presentation displaying their achievements last year and their targets this. I suggest that questions and discussion should be taken on each item in turn rather than being left to the end.

Points to raise

Police: The effective use of police resources remains a key question.

- How will the targets show that increases in police resources are being used effectively?

Encouragingly the Metropolitan Police are developing a scrutiny programme. But

- How will the Home Office ensure the Met operates it with the necessary rigour and objectivity?

Prisons: Despite the considerable political difficulties, the Home Office is showing signs of being commendably firm in tackling basic problems. A recent scrutiny on court escorts and an internal review on shift systems have provided important recommendations which they should be encouraged to act on. This will entail standing firm on some difficult industrial relations issues.

Key questions are:

- What underlying changes in management and working practices are the Home Office trying to bring about?
- How far along the road are they?
- How will they cope with the inevitable industrial relations problems?

Magistrates Courts: The new Crown Prosecution Service becomes fully operational in October this year. So far the benefits in the courts are few and far between.

- How does the Home Office know whether Magistrates Courts are operating effectively?
- How will they measure the effectiveness of the Crown Prosecution Service?
- Is there a case for a scrutiny of the organisation and effectiveness of Magistrates Courts?

Probation: The Home Office are proposing a scrutiny of the Probation Inspectorate. This could be an important lead-in to improving the value they get from their Inspectorates generally. Nevertheless it should not be allowed to distract attention from significant areas.

Scrutinies: The Home Office are beginning to realise the potential from the use of scrutinies. They need firm encouragement to continue. They must make sure they set up scrutinies in the police and particularly in the Met which are really radical and questioning - police effectiveness can only gain from good scrutinies. It will be extremely helpful if you emphasise the need to prevent the Met from letting scrutinies degenerate into cosy internal enquiries.

I am sending copies to Robert Armstrong and Peter Middleton.

ROBIN IBBS
13 June 1986

ANNEX A

HOME OFFICE

Expenditure Programmes

	1986/87 £m	1984/85 £m	
Police	3,050	2,831	+ 8%
Prisons	700	601	+16%
Fire	650	646	+ 1%
Probation	200	177	+13%
Immigration/Passport	76	66	+15%

Staff Numbers

		1986/87	1984/85	% change
HO Prison Department		28,600	27,300	+ 5%
HO Police Department	2,700			
Immigration/Passport	4,000			
Fire Division	400			
Criminal Justice Division	160			
Community Programmes	40			
Central/MISC	2,220	9,600	9,360	+ 2%
Police officers		121,661	120,548	+ 1%
civilians		45,326	43,693	+ 4%
Probation		6,950	6,689	+ 4%

Running Costs

	1986/87	1987/88	1988/89
HO estimated running costs	723m	751m	779m

Scrutinies

1985/86	Court Escorts
1986/87 plan	Probation Inspectorate Metropolitan Police Overtime A Police Force subject to be chosen

146/6 file JA
① PG
② DW
③ M Addison
cc BG

10 DOWNING STREET

12 June 1986

From the Private Secretary

Dear Paul

SCRUTINY OF OCCUPATIONAL HEALTH AND HYGIENE PROVISION THROUGHOUT THE CIVIL SERVICE

The Prime Minister has seen your Minister's minute of 4 June. She is content with the proposed response to the Scrutiny's recommendations, and in particular that the Civil Service Medical Advisory Service and MOD's Civilian Medical Services Directorate should be merged. She is also content with the terms of the draft Written Statement attached to your Secretary of State's minute, although she believes the final sentence of the second paragraph would better read as follows:-

> "There will be substantial economies of scale through the integration of the present fragmented services, with longer-term benefits for management from reductions in the duplication of facilities provided elsewhere and by promoting greater efficiency."

I am copying this letter to Private Secretaries to Ministers in charge of Departments, Michael Stark (Cabinet Office) and Sir Robin Ibbs.

Yours ever

Mark Addison

(MARK ADDISON)

Paul Thomas, Esq.,
Privy Council Office.

B cc. BS

Ref. A086/1658

MR ADDISON

Scrutiny of Occupational Health and Hygiene in the Civil Service

Your minute of 4 June with MEA. requested advice on Mr Luce's submission to the Prime Minister of the same date.

2. As Mr Luce says, the proposed combination of the Civil Service Medical Authority Service and the Civilian Medical Services Directorate is the outcome of an efficiency scrutiny, and should produce a better and more effective service as well as economies of scale and savings. I recommend the Prime Minister to agree; and there is no machinery of government reason why she should not approve the transfer, which is acceptable to the Secretary of State for Defence. As Minister for the Civil Service, the Prime Minister herself will be the ultimate Ministerial head of the new Occupational Health Service created by the proposed transfer, but as with other MPO functions she would no doubt wish day-to-day responsibility to be exercised by Mr Luce.

3. Page 2 of the submission mentions financial arrangements being in place by 1988-89. This is a reference to the introduction of a repayment scheme covering the new Service as a whole (the existing Medical Advisory Service is in the process of moving to repayment scheme during 1987-88).

RTA

ROBERT ARMSTRONG

11 June 1986

SOUT. MACH-
RAYNER. PL 21

OW

1. Mr Wicks - to note.
2. CF to pa.

SR12:Ma6/6

MR ADDISON

cc Mr Stark
Mr Unwin

KEY TARGETS TO IMPROVE MANAGEMENT AND EFFICIENCY

At her meeting on 13 May the Prime Minister and Sir Robin Ibbs discussed the possibility of a new initiative in some departments to help improve management and efficiency.

2. Robin Ibbs has now seen Clive Whitmore and Kenneth Stowe. Both agreed to develop a method to keep the Prime Minister informed of key projects in their departments. There is, however, a lot of ground to be covered before we can translate this into action.

3. We do not want to create yet another new management system. We must find a way of getting backbone into departments' major management activities. As a start we are working on areas:

(a) to encourage departments to declare their objectives and timetables for key major projects.

(b) to enable the Department's Ministers and the Prime Minister to be informed regularly of results against the objectives and timetables.

4. Sir Robin Ibbs hopes to get firm proposals to the Prime Minister soon (Sir Kenneth Stowe's illness creates some uncertainties), but we shall report again in any event by mid-July.

Kate Jenkins

KATE JENKINS
6 June 1986

file EL3BEL

10 DOWNING STREET

From the Private Secretary

MR. STARK

Cabinet Office

SCRUTINY OF OCCUPATIONAL HEALTH AND HYGIENE IN THE CIVIL SERVICE

Mr. Luce wrote to the Prime Minister on 4 June to report on the outcome of the Scrutiny of Occupational Health and Hygiene in the Civil Service. He proposes to respond to the scrutiny broadly accepting the key recommendation that health and safety in the Civil Service should focus on providing a safe working environment. He also proposes that the Civil Service Medical Advisory Service and the Civilian Medical Services Directorate of MOD should be combined into a new Occupational Health Service, with consequential economies of scale and savings.

BF

I should be grateful for your advice on Mr. Luce's proposal.

MARK ADDISON

4 June 1986

NG

010

Prime Minister ① CC

Content for Mr Lance to announce this proposed change, in the terms set out at Fig A? RTA is content (Fig B). MEA 11/6

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

Yes mt

4 June 1986

SCRUTINY OF OCCUPATIONAL HEALTH AND HYGIENE

PROVISION THROUGHOUT THE CIVIL SERVICE

In 1985 my predecessor agreed with the Secretary of State for Defence that under the aegis of your Efficiency Unit a Scrutiny should be carried out of the provision of occupational health services in the Civil Service. Dr K P Duncan, CB FRCP FFOM, Assistant Director of the National Radiological Protection Board, and Mrs D Radwanski, RCN OHNC FRCN, Consultant Occupational Health Nursing Adviser, were appointed as the Scrutiny Team. They reported in October 1985.

Their Report paid tribute to the skill and dedication of staffs in the existing medical services, but concluded that generally the Civil Service had not taken advantage of national developments in occupational health during the last 40 years and of the potential benefits of recent advances in techniques for better control of environmental hazards. Their main recommendations are that to do so a radical restructuring and integration of the present fragmented occupational health services would be required, and that there should be a fundamental change in our approach to occupational health and hygiene provision, moving from a service where the predominant consideration is the sick patient to one where the focus is on a safe environment.

The fundamental nature of this and other recommendations by the Scrutiny Team, and the limit on the time available to them for working through the detailed consequences of their proposals, made it important to carry out a considerable amount of preliminary work to pave the way for the successful implementation of the main recommendations. This interim phase, during which some essential planning work has been accomplished, is now complete.

George Younger and I accept that an integrated service centred on the work place and essentially preventive in character, with a change of emphasis away from therapeutic medical and nursing provision, would be well placed to take advantage of developments in recent years of scientific techniques for the identification and measurement of environmental hazards, and would facilitate a more substantial contribution by scientists and nurses training in occupational health. It would in the longer term also produce savings for management by reducing duplication of facilities provided elsewhere and by promoting greater efficiency. We propose with your approval to set up a new Occupational Health Service as part of the Cabinet Office (Management and Personnel Office) to carry the primary responsibility for the occupational health care of all civil servants. It would be created by

merging the Civil Service Medical Advisory Service and MOD's Civilian Medical Services Directorate. Co-operation with the Medical Services of the Armed Forces would ensure that civilians employed by the three Services would also be covered.

Estimates of financial savings are difficult in this field, where the aggregate cost benefits of occupational health services have never been amenable to accurate identification, but the Scrutiny Team estimated that by merging two existing organisations, and by streamlining some tasks which are no longer regarded as useful, a more effective service would be supplemented by potential savings of about £2.5M per annum. We would seek to increase these economies of scale as the new Service established itself.

This proposal to set up an Occupational Health Service has received general approval from all Departments. Their views on detailed aspects of the arrangements have been taken into account. Establishing a fully operational regional structure, and implementing the other organisational recommendations of the Scrutiny Report, would take up to 18 months. To keep up the momentum, and in particular to ensure that financial arrangements can be in place by the beginning of 1988/89, a vesting day as early as 16 June would be desirable. By the same date we would propose to consult the Trades Unions and to publish the outcome of the Scrutiny by means of a statement in answer to a Parliamentary Question and a press release. Informal consultations with the Trades Unions have indicated that they will welcome the proposals in principle, and be content to negotiate with management on any detailed implementation proposals.

Your approval is required for an administrative decision to transfer functions from George Younger to you, as Minister for the Civil Service, covering the medical and support staffs at present in MOD. Initially, the MPO would take over responsibility for some 100 staff from the MOD most of whom would remain at the outset in their present physical locations.

George Younger and I would be grateful for your authority to go ahead. Although you would normally wish to announce a transfer of functions yourself, in this case the proposal to create a new Occupational Health Service is more important than the transfer, and should be given greater prominence. If you are content it might be more appropriate for me to make a written statement in the House on the lines of the attached draft.

I am copying this submission to George Younger, Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

Richard Luce

RICHARD LUCE

A

DRAFT

QUESTION

To ask the Minister of State, Privy Council Office, what arrangements it is proposed should be made to improve the occupational health care of civil servants, and to make a statement.

ANSWER

An efficiency scrutiny was carried out in 1985 on the occupational health and hygiene provision throughout the Civil Service. The Report recommended the merging of existing services to create an integrated and more efficient and effective organisation. This recommendation has been accepted, and an Occupational Health Service will be formed with effect from 16 June 1986 by the amalgamation of the Civil Service Medical Advisory Service of the Cabinet Office (Management and Personnel Office) and the Civilian Medical Services Directorate of the Ministry of Defence. It will be located within the Cabinet Office (MPO). My Rt Hon Friend the Prime Minister has approved this transfer of responsibilities from the Ministry of Defence to the Management and Personnel Office.

The creation of the Occupational Health Service will facilitate a fundamental change from a therapeutic medical and nursing service to one centred on the work place and essentially preventive in character. It will be well placed to take advantage of developments in recent years of scientific techniques for the identification and measurement of environmental hazards, and of the substantial contribution which scientists and nurses trained in occupational health are able to make. There will be substantial economies of scale

'X' might best be omitted in such explicit terms. It risks the change be heralded simply as a cut, rather than a real step forward. Agreed MT

through the integration of the present fragmented services, [and estimated initial savings of about £2.5M a year] with longer-term benefits for management from reductions in the duplication of facilities provided elsewhere and by promoting greater efficiency. 'X'

Copies of the Scrutiny Report and of the proposed Charter for the Occupational Health Service have been placed in the Library of the House.

SK/B35

Caxton House Tothill Street London SW1 9NF

Telephone Direct Line 01-213 6460

Switchboard 01-213 3000

The Rt Hon Tom King MP
Secretary of State for Northern Ireland
Northern Ireland Office
Whitehall
LONDON
SW1A 2AZ

NIBON

4 June 1986

Dear Tom,

WHITE PAPER ON DEREGULATION

Thank you for your letter of 27 May. I was grateful to you for writing about the parallel progress you are making in Northern Ireland on lifting burdens from business.

I know that my officials in the Enterprise and Deregulation Unit enjoy a constructive relationship with your Department of Finance and Personnel. I appreciate the support you and Rhodes Boyson have always given to this important exercise.

I am copying this to the Prime Minister and to Sir Robert Armstrong.

Yours,

David

Rayner: GOV. MACH. A20.

Prime Minister (4)
Pls inform
MCA 2/6

PRIME MINISTER

Thank you for your minute of 27 May. I look forward to continuing my valuable association with Sir Robin Ibbs in my new post. I was able to have a preliminary and informal word with him about it on the evening of my appointment when I took Keith Joseph's place at a dinner arranged by John Harvey-Jones.

2. Sir David Hancock has informed me that Keith Joseph agreed a list of value for money targets for this Department in 1986-87 with Sir Robin Ibbs very shortly before he left office. I must now clearly review those targets and see whether they fit in with my priorities; and I shall get in touch with Sir Robin Ibbs as soon as I am ready.

3. I am sending copies of this minute to Sir Robert Armstrong and Sir Robin Ibbs.

K.B.

Department of Education and Science

2nd June 1986

COLT MACH
RAYNER
PT20

PART 20 ends:-

NLW to PRIVATE SECS 30/5

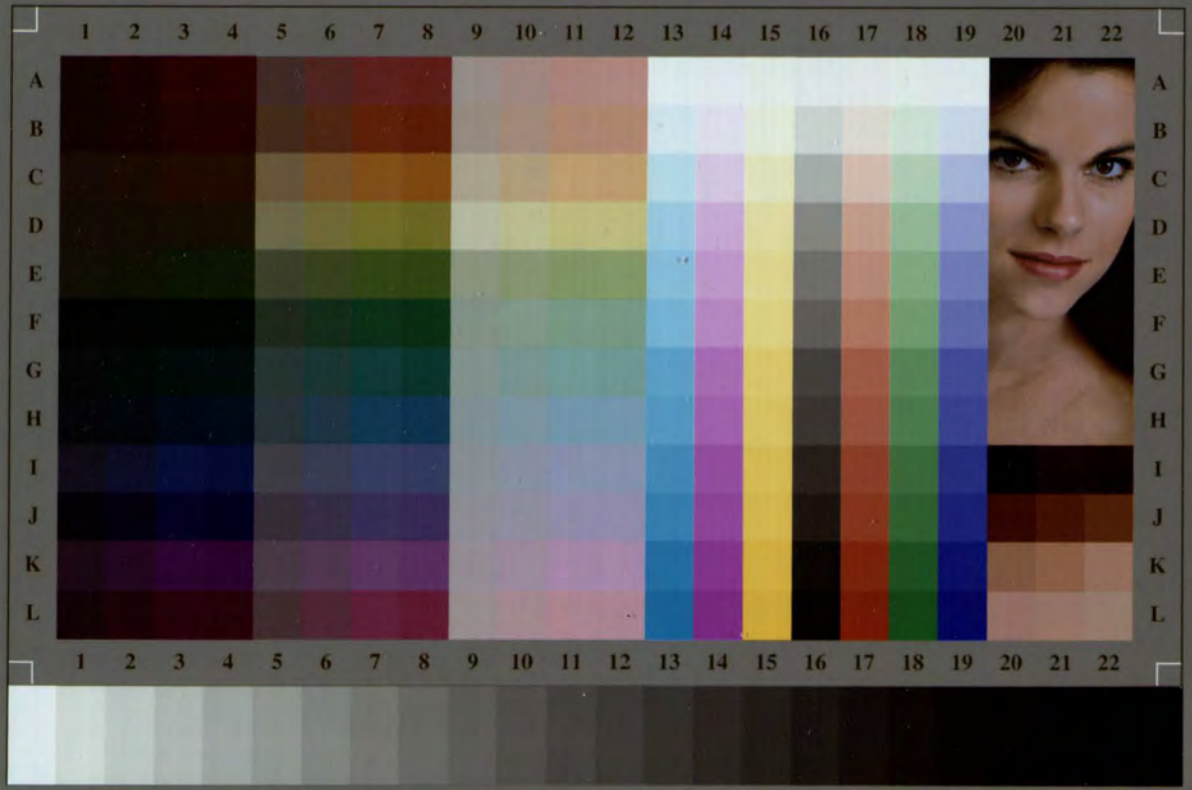
PART 21 begins:-

~~SS/EMP to SS/NIO 4/6.~~

SS/DES to PM 2.6.86.

KODAK Q–60 Color Input Target

C M Y



IT8.7/2–1993
2007:03

FTP://FTP.KODAK.COM/GASTDS/Q60DATA

Q-60R2 Target for
KODAK
Professional Papers