5C
1247

PREM 19/2202

The Rayner Programme A22

Promotion of efficiency and waste

The Scrutiny Programme

(Capital Expenditure Contracts in Folder)

2nd Report by Joint Management Unit on C.I.R. in folder)

GOVERMENT MACHINERY

PT 1: May 1979

PT 22: November 1986

PREM 19/2202

Material used by official Historian
DO NOT DESTROY

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~3.11.86~~							
~~5.11.86~~							
~~6.11.86~~							
~~7.11.86~~							
~~18.11.86~~							
~~5.12.86~~							
~~9.12.86~~							
~~19/12/86~~							
~~22.12.86~~							
~~23.12.86~~							
~~30.12.86~~							
~~8.1.87~~							
~~12.1.87~~							
~~13.1.87~~							
~~20.1.87~~							
~~23.1.87~~							
~~26.1.87~~							
27.1.87							
X							
PACT ENDS							

PART 22 ends:-

NLW TO SIR R. IGGS 27.1.47

PART 23 begins:-

NLW TO MISS K. JENKINS 2.2.47

SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

27 January 1987

Dear Robin,

SCRUTINY ON IMPROVING MANAGEMENT IN THE CIVIL SERVICE

You came to see the Prime Minister this morning to give her an interim report on this Scrutiny.

You said the Scrutiny, which was now half completed and was based on talks with civil servants and Ministers, had identified some useful improvements in Civil Service efficiency in recent years, including the reduction in Civil Service numbers, the financial management initiative, improved personnel and purchasing arrangements, and the scrutinies themselves. But the results were extraordinarily small compared to the task which needed to be done. The will to make further the improvements needed was stronger away from the centre, for example at regional and local levels. The determination seemed to grow weaker at middle and upper policy levels, though some Permanent Secretaries were well aware of what needed to be done. Officials at the middle to upper level of the Service were preoccupied with policy issues and had little management experience. Permanent Secretaries who had a real management task were often promoted into their jobs without real management experience. There was also a lack of awareness about how best to motivate people to produce the management improvements required. Another disappointing feature was the lack of read-across in applying the lessons of scrutinies to other relevant areas. You stressed that these findings were based on strong evidence.

You went on to say that the Scrutiny team had examined the accumulated results of the 300 scrutinies. These had shown a lack of positive management, vague definitions of responsibilities, failures to delegate and a lack of interest in costs and output. There was also a tendency for political sensitivities to swamp Value for Money (VFM) considerations and for the political dimension to distract effort and resources away from the drive for efficiency.

The lesson which you were drawing from the study, was that the Civil Service was too big to manage as a unified block. No business would try to manage some 600,000 staff through unified central procedures for finance and personnel. There needed to be greater devolution of responsibility and decision to Departments. To some

extent, this already happened with some Departments, notably Customs and Excise which had its own Board of Management. Such arrangements allowed more time and expertise to be devoted to the management of the organisation. Management skills generally needed to be developed, especially at the top of the Service; managers needed to be made confident in their abilities so they could act boldly and decisively; and there needed to be adequate management systems. Where a Department had a clear task, the activities in performing that task might be separated from policy work and put under the supervision of a Chairman and a Board, with its own budget and freedom to manage. In this way the inhibitions imposed on managers by the centralised rules on recruitment, pay, discipline and so on would be avoided.

None of this would be brought about under present arrangements since they did not provide sufficient stimulus to secure better Value for Money. Existing arrangements reinforced officials' natural tendency to focus on political aspects of the job. The problem should be tackled by moving away from a centralised Civil Service and by introducing more pressures to produce results. He had still to consider the extent and the rate for introducing such changes. Some central organisation would be needed to manage the change, for example a central management board.

The Prime Minister told you not underestimate the enormity of what you were proposing. You should consider further the details and let her have a paper by about a month's time.

I am copying this letter to Sir Robert Armstrong.

Yours ever,
Nigel Wicks

N.L. Wicks

Sir Robin Ibbs
Efficiency Unit.

SUBJECT CC
MASTER

CONFIDENTIAL

SRWA@A

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

26 January 1987

Dear Rob,

VALUE FOR MONEY IN THE DEPARTMENT OF EDUCATION AND SCIENCE

Your Secretary of State gave a presentation to the Prime Minister this afternoon about Value for Money in the Department of Education and Science. Sir Robert Armstrong, Sir David Hancock, Sir Robin Ibbs, Professor Brian Griffiths and Miss Kate Jenkins of the Efficiency Unit were present.

Your Secretary of State gave a description of the expenditure for which DES were responsible, indicating the extent to which the Department could control and influence spending under each heading. Points made in the presentation were:

(i) The steps in the development of the mathematics curriculum were described. There had been initiatives to improve teacher training and the training of head teachers. The establishment of a staff college for head teachers was being considered.

(ii) Although the size of the science budget had increased, there was justification in the complaint that there was "less money for science", because the falling exchange rate had increased the burden in sterling terms on the science budget of contributions to projects abroad. The Prime Minister commented that she doubted the value of the UK's continuance in the CERN project. The Secretary of State said that the decision on our future in the project would be made in the summer.

(iii) Spending on universities had declined in cost terms since the Government came into office. The amount of funding from industry for research grants and contracts was still pitifully small. Although the universities were receiving proportionately less now from central Government, they were still much too dependent on public money. It was important to increase the participation rate if the decline in numbers of graduates was to be arrested.

(iv) The effects of declining school population posed great problems of management. It was becoming

increasingly difficult to secure the target reductions in schools and thus to realise the huge sums tied up in surplus capacity. There were likely to be special difficulties in securing school closures in the next few months. A report, initiated by his predecessor, would be published soon showing a considerable backlog in replacing poor school buildings.

(v) Some authorities, especially in the North, could not raise capital receipts by selling redundant land because there was no local demand for the land.

In concluding his presentation, your Secretary of State said that his current targets were:

(i) to take the polytechnics out of local government;
(ii) to establish the basis for a national curriculum;
(iii) to start city technological colleges;
(iv) to begin devolving budgetary control to schools;
(v) to increase the staying-on rate of 16 to 19 year olds; and
(vi) to set up a staff college for headmasters.

The Prime Minister commented that your Secretary of State's presentation was focussed on inputs into the education system. He had not had much to say about outputs. Without an assessment of outputs, the resources devoted to education could not be managed properly. So there needed to be more output yardsticks. She appreciated that in many areas the Secretary of State did not have powers to determine the direction of spending. But this did not remove the need to have properly worked out targets for the Government's objectives. Without such targets, the Government would not know whether it was succeeding in influencing expenditure as it wished. She welcomed the Department's work on performance indicators. Clear responsibility needed to be defined for meeting targets and there needed to be systematic arrangements for monitoring output. Sir Robin Ibbs and her Efficiency Unit should consider with the Department what further needed to be done to meet these objectives. She was also concerned that the improvements sought by your Secretary of State were envisaged to be a long time in coming. He should guard against over-consultation which was endemic in the education world.

The Secretary of State then described his thinking on a forthcoming Education Bill. The Prime Minister emphasised her belief that fundamental improvement of the school system would not be achieved without some arrangements whereby money followed the child.

I am sending a copy of this letter to the Private Secretary to the Chief Secretary, Sir Robert Armstrong and Sir Robin Ibbs.

Nigel Wicks

(N. L. WICKS)

R. L. Smith, Esq.,
Department of Education and Science.

covering CONFIDENTIAL

10 DOWNING STREET

From the Principal Private Secretary

26 January 1987

Herewith a draft of today's discussion with the DES. Quick comments would be appreciated before it is despatched.

BF

(N. L. WICKS)

Miss Kate Jenkins,
Efficiency Unit.

covering CONFIDENTIAL

PRIME MINISTER 23 January 1987

VALUE FOR MONEY: EDUCATION

The seminar on Monday is an opportunity to probe the efficiency with which £16 billion a year is being spent in education. The temptation facing the Secretary of State is to be bland, blaming the local authorities, universities, polytechnics and colleges for everything that is bad but taking the praise for current improvements. While there is truth in this, especially because of the autonomy of LEAs, it is not the whole story.

Audit Office and Audit Commission

Over the past few years a number of studies have been done on value for money in education.† In addition there was the Jarrat Report on universities. They have been highly critical of the inefficiencies of the education service. For example, the Audit Commission Report Towards Better Management of Secondary Education stated:

"There are a disturbing number of indications that teaching costs - and teachers - are not being managed effectively. Costs per pupil have been increasing in real terms while there is a widespread public perception that swingeing cuts have been imposed. Although there is no general agreement

---

† (i) Obtaining Better Value in Education: Aspects of Non-teaching costs in Secondary Schools. (Audit Comm.) Dec 1984

(ii) Towards Better Management of Secondary Education. (Audit Comm.) May 1980

(iii) Obtaining Better Value from Further Education. (Audit Comm.) June 1985

(iv) DES: Falling Schools Rolls (NAO) Dec 1986

\# CVCP Report of the Steering Committee for Efficiency Studies in Universities. March 1985

on the appropriate secondary school curriculum or how it should be taught, the quality of secondary education is a continuing cause for concern: the proportion of school leavers with any A levels is still less than 20 per cent, almost exactly where it was over a decade ago; and over 40

per cent of school leavers still have no O levels at Grades A-C or their CSE equivalent. The proportion of students leaving at age 16 is very high by OECD standards; yet in the more deprived areas especially, absence levels of 25 per cent or more are not uncommon in some classes. Sickness absence amongst teachers - a barometer of staff morale - often exceeds 10 per cent on a typical school day.. Teachers rarely receive any formal feedback on their performance.

Local education authorities (LEAs) are in general not reorganising their schools to bring capacity into line with schools rolls. AS a result, money that should be spent on teaching is being devoted to maintaining, heating and cleaning redundant buildings and to teaching "empty desks"."

On universities the Jarratt Report mentioned inter-alia,

"The universities have their own constraints on change. First, there is their attitude to tenure; second there is the conviction that planning, at least at a detailed level, stifles creativity; and third, planning and consensus management appear to many to be inimical."

The major criticisms made by these reports of the schools education service are:-

(a) too much emphasis on performance indicators based on inputs (e.g. pupil teacher ratios, curriculum development, class size, class contact rations, books per pupil) rather than outputs (examination results,

absenteeism and truancy;

(b) lack of finanical incentives for LEAs to respond efficiently to for example falling rolls;

(c) failure to delegate authority by LEAs to the individual school level;

(d) inadequate assessment of teachers.

Because of the highly decentralised nature of our education system the difference between LEAs unit costs of providing education are enormous. (see Appendix 2)

Questions : schools

Disclosure

1. Should individual schools be required to increase the information they disclose as a spur to greater efficiency? e.g.

- more standardised exam results (so that it is possible to compare directly the proportion of students achieving exam grades in various subjects)
- attendance rates
- incidence of vandalism

2. Should the DES use the Audit Commission to publish reports on the management of the education service in individual LEAs much as they use HMI to report on academic performance?

8

Differences in LEA Unit Costs

3. Why do LEAs have such widely differing unit costs in primary and secondary schools?

4. Are these differences in costs correlated with improved output such as exam results, facilities etc? If not how can they be exposed and reduced.

Conditionality

5. Does the DES specify conditionality for the allocation of specific grants?

Monitoring of performance

6. How does the DES attempt to monitor LEAs' education budgets?

Questions: Higher Education

7. The Jarratt report on Universities was published in March 1985. It made more than 25 recommendations. How is the DES monitoring the implementation of these recommendations?

8. Is the DES/HMI/UGC attempting to measure the quality of teaching in universities, polys and colleges? (much as the UGC's excellent study of research published last year).

9. How different are unit costs in institutions of higher education? Why? How can good practice be best extended?

Ffinally, I enclose a copy of an earlier note on the Audit Commission Report (see Appendix C).

BRIAN GRIFFITHS

Appendix A

3.12 Department of Education and Science

Table 3.12 £ million

	1981–82 outturn	1982–83 outturn	1983–84 outturn	1984–85 outturn	1985–86 outturn(1)	1986–87 estimated outturn(2)	1987–88 plans	1988–89 plans	1989–90 plans
Schools	7,203	7,649	8,013	8,285	8,660	9,823	10,336	10,900	11,210
Higher and further education	3,583	3,957	4,167	4,340	4,391	4,592	4,644	4,800	4,940
Miscellaneous educational services, research and administration	605	663	737	780	842	924	969	990	1,020
Research Councils and related bodies	451	482	517	546	586	615	656	670	680
Total Department of Education and Science	11,841	12,750	13,433	13,951	14,479	15,954	16,604	17,350	17,840
Central government									
Voted in Estimates									
Schools									
Assisted places scheme	3	9	15	22	30	37	49	60	60
City technology colleges							4	20	30
Music and ballet schools	6	4	3	2	3	3	4		
Building grants to voluntary and special schools	44	38	38	46	54	50	54	50	50
Higher and further education (including teacher training)(4)									
Universities									
Capital	120	121	118	121	134	154	154	150	150
Current	1,043	1,258	1,306	1,340	1,374	1,411	1,511	1,560	1,610
Voluntary and direct grant institutions									
Capital	3	4	4	5	5	6	6	10	10
Current	78	86	88	85	85	90	95	100	100
Adult education	10	11	13	13	15	15	16	20	20
Postgraduate awards to humanities students and other student awards	6	6	4	4	4	6	6	10	10
Miscellaneous services, research and administration									
Youth service	4	3	3	3	4	4	4		
Research programme and other education services	15	15	19	21	23	23	26	30	30
Administration and inspection costs	31	32	45	48	52	54	58	60	60
Compensation payments	4	4	5	5	6	6	7	10	10
Research Councils, etc									
Capital	71	77	76	77	90	88	77	80	80
Current (including postgraduate science awards)	380	405	441	469	496	527	579	590	600
Total voted expenditure	1,818	2,074	2,177	2,263	2,374	2,475	2,648	2,740	2,820
Other central government									
Schools	−4	−4	−4	−4	−4				
Total central government	**1,814**	**2,070**	**2,174**	**2,259**	**2,370**	**2,475**	**2,648**	**2,740**	**2,820**
Of which: Total central government capital expenditure	*237*	*238*	*233*	*247*	*281*	*299*	*293*	*300*	*300*

Table 3.12–continued

£ million

	1981–82 outturn	1982–83 outturn	1983–84 outturn	1984–85 outturn	1985–86 outturn(1)	1986–87 estimated outturn(2)	1987–88 plans	1988–89 plans	1989–90 plans
Local authorities									
Relevant current spending									
Schools									
Under fives	241	274	296	331	352	402	422	450	470
Primary schools	2,258	2,349	2,416	2,485	2,617	3,031	3,251	3,440	3,620
Secondary schools	3,304	3,544	3,735	3,859	4,022	4,573	4,822	5,110	5,160
Special schools	347	382	412	432	450	503	527	550	570
Meals and milk	396	411	426	428	438	455	450	460	480
Transport	174	184	195	199	207	219	214	220	220
Non-maintained school fees	107	114	118	121	121	125	122	120	120
Teachers centres	21	23	24	28	31	35	41	40	50
Child guidance	26	28	28	31	34	39	40	40	40
Pupil support	24	26	27	32	35	38	37	40	40
Higher and further education(4)									
Advanced further education	503	609	636	669	698	743	734	780	810
Non-advanced further education	790	878	931	998	987	1,013	1,022	1,040	1,060
Adult education	67	77	86	93	102	110	111	120	120
Discretionary student awards and support	107	121	132	142	160	183	197	210	220
Miscellaneous services, research and administration									
Youth service	86	97	109	117	130	148	158	170	180
Recreational services and research	41	46	54	58	64	73	77	80	90
Administration and inspection costs	405	435	477	503	537	590	625	630	640
Total relevant current spending	8,896	9,598	10,102	10,525	10,987	12,283	12,850	13,500	13,880
Non relevant current spending									
Mandatory student awards(4)	770	669	734	744	710	724	741	760	780
Local authority capital(3)									
Schools	257	266	284	273	269	310	299	290	300
Higher and further education	85	117	116	125	117	135	52	50	50
Miscellaneous education services									
Youth service	6	12	10	12	11	11	8	10	10
Other education services	13	18	15	13	15	15	6	10	10
Total local authority capital	362	413	424	423	411	471	364	350	360
Total local authorities	**10,027**	**10,680**	**11,260**	**11,692**	**12,109**	**13,479**	**13,956**	**14,620**	**15,020**
Total Department of Education and Science	**11,841**	**12,750**	**13,433**	**13,951**	**14,479**	**15,954**	**16,604**	**17,350**	**17,840**

(1) *The 1985–86 figures incorporate a distribution by sector of total current spending by local authorities based on their provisional outturn expenditure on education.*
(2) *The 1986–87 figures incorporate a provisional distribution by sector of total current spending by local authorities based on their budgets.*
(3) *From 1981–82 local authority capital expenditure includes provision for the urban programme.*
(4) *The change in the trend of higher education and student award figures between 1981–82 and 1982–83 reflects the reduction in tuition fees described in Cmnd 8494.*

Table 3.12.1 Analysis by broad economic category £ million

	1981–82 outturn	1982–83 outturn	1983–84 outturn	1984–85 outturn	1985–86 outturn	1986–87 estimated outturn	1987–88 plans	1988–89 plans	1989–90 plans
Departmental running costs	33	34	46	49	52	55	59	60	60
Running costs receipts	−1	−1	−2	−2	−2	−2	−2		
Other public sector pay	7,502	7,990	8,353	8,694	9,124	10,293	10,740	11,210	11,490
Transfers to the personal sector	2,561	2,723	2,874	2,974	3,048	3,193	3,360	3,480	3,590
Purchases of assets, goods and services	1,703	1,957	2,105	2,174	2,189	2,346	2,358	2,520	2,610
Transfers to the corporate sector									
Payments overseas	44	47	56	62	68	69	90	90	90
Total expenditure	**11,841**	**12,750**	**13,433**	**13,951**	**14,479**	**15,954**	**16,604**	**17,350**	**17,840**
Contribution to total public sector capital spending(1):	*636*	*687*	*694*	*730*	*782*	*868*	*712*	*700*	*720*

(1)For a general discussion of total public sector capital spending see Part 2.

1. This chapter covers those areas which are the responsibility of the Secretary of State for Education and Science. **Tables 3.12** and **3.12.1** show the programme by spending authority and broad economic category.

Aims and objectives

2. The Government's principal aims for education are to raise standards at all levels of ability and to secure the best possible return from the resources which are invested in the education service. The Government's aim for science is to maintain and enhance the strength and quality of the science base. More detailed aims and objectives for the elements within the education and science programme are set out below.

Central government spending

3. Central government expenditure is devoted mainly to the universities and science and accounts for about one-sixth of the programme. The totals for central government expenditure set out in **Table 3.12** show increases over Cmnd 9702 of £110 million in 1987–88 and £130 million in 1988–89. Additional resources have been provided for the universities, for science, for capital expenditure by voluntary schools and for the initial costs of the City Technology Colleges.

Local authority spending

Current expenditure

4. The total of £12,850 million for local authority relevant current expenditure on education in England in 1987–88 reflects the Government's expectations of what local education authorities (LEAs) are likely to spend, if they maintain their present policies and restrain the increases in their costs, other than schoolteacher pay, to the level of cost increases in the economy as a whole. The figure for 1987–88 includes provisionally £460 million for teachers' pay in England.

5. The Government believes that LEAs could make good progress with national and local policies for improving the quality of education at a lower level of expenditure if they managed the service more efficiently. Accordingly the total used for determining the education component of the grant related expenditure (GRE) in 1987–88 has been set £500 million below the forecast of expenditure. The margin between the two totals has been allocated to the various parts of the local authority current expenditure on education in **Table 3.12** but is not carried through to the control totals for the GRE. The Government's expenditure plans are consistent with the policies described in this chapter; the text indicates where greater efficiency would allow those policies to be carried out at lower cost.

6. With the inclusion of the planned additions for teachers' pay, the Government's plans allow for an increase of 1.5 per cent in real terms in local authority current expenditure on education in 1988–89, with no further significant real change in 1989–90. Within the totals planned for local authority current expenditure as a whole in each year, the Government will in 1987 review the distribution of expenditure between services (including education) in the light of local authorities' budgets for 1987–88, the Government's priorities and other factors.

Capital expenditure

7. Provision for local authority capital expenditure on education in 1987–88 will be £364 million, an increase of £57 million over the previous plans for that year. Local authorities' spending power from receipts is increasing and will enable their gross

capital expenditure on education to be substantially greater than the level of allocations made. The use of this spending power and the other flexibilities available to education authorities should enable them to provide new school places in areas of population growth, to maintain progress with the removal of surplus school places and to maintain a satisfactory level of spending on equipment in further education.

Education Support Grants

8. The Education Support Grant programme enters its third year in 1987–88. The Government intends to support £92 million of expenditure on 20 activities of national priority through £64 million of grant in 1987–88. Within these figures the programme will support up to £39 million of expenditure on the supervision of pupils at midday, £10 million on books and equipment for school courses leading to the General Certificate of Secondary Education (GCSE), as part of the support for the examination's introduction, and £5 million on information technology in non-advanced further education. The balance of the programme in schools is aimed at improving the efficiency and effectiveness of the education service through work on the curriculum, assessment, records of achievement, education for a multi-ethnic society, and school management. In further education, grant will support the professional, industrial and commercial updating programme (PICKUP) and other activities. The Government intends shortly to publish a report on the progress of the programme.

Schools

Aims and objectives

9. The Government's principal aim for schools continues to be to improve standards of achievement for all pupils across the range of school activities, securing the best possible return from the substantial investment of resources. More detailed aims are:

—to establish clear curricular policies at all levels, based on widely agreed objectives;

—to improve teaching quality;

—to improve the management of schools:

—to encourage improvements in the curriculum and the assessment of pupils so that pupils can develop the qualities and skills required for adult life and work in a technological age; and

—to improve the response of schools to the needs of a multi-ethnic society.

10. To these ends, the Government has, in the Education (No 2) Act 1986, legislated to:

—promote the professional effectiveness of teachers through arrangements for teacher appraisal and more effective in-service training; and

—improve the management and accountability of schools through new arrangements for the composition and functions of governing bodies, increasing the influence of parents.

11. In addition, the Government:

—continues to work towards broad agreement on the objectives of the curriculum;

—has announced the extension of the Technical and Vocational Education Initiative to a national scheme, with newly established curricular criteria, open to all maintained schools and colleges providing for young people aged 14-18;

—is supporting the introduction of the GCSE in 1986, and Advanced Supplementary (AS) levels, designed to broaden A level students' studies, in 1987; and

—is taking action to improve the supply of suitably trained teachers in mathematics, physics and technology.

Management of resources

12. It is essential that LEAs should manage their resources as effectively as possible, in order to concentrate spending on areas of priority and to make progress with central and local policies for the improvement of the service. The Audit Commission have drawn attention in "Better Management of Secondary Education" to the opportunities which exist to rationalise and improve secondary education as pupil numbers fall. The Government has now set out its policy for promoting quality and value for money in a draft Departmental Circular ("Providing for Quality") on the response needed to demographic change in both the primary and secondary sectors. The Government aims to secure greater financial delegation to school governing bodies so as to promote keener management of school budgets. The initial minimum requirement for such delegation under the Education (No 2) Act 1986 will come into force on 1 September 1987.

Pupil numbers

13. Between 1984–85 and 1989–90 secondary school pupil numbers are projected to fall by 19.5 per cent, and primary school pupil numbers to rise by 5.2 per cent. Authorities continue to make good progress with the removal of surplus school places. Collectively they are on course to achieve the March 1987 target of 1,125,000 places removed. Last year the Government set fresh targets for the period up to 1991-92; the Government's objective is the removal of just over half a million surplus places in the three years 1987–88 to 1989–90, with the numbers removed in each year approximately equal. **Table 3.12.2** sets out the targets for the removal of surplus school places.

Table 3.12.2 Targets for removing surplus school places **thousands**

Financial Year	1987–88	1988–89	1989–90	1990–91	1991–92
	167	167	170	170	170

Teaching costs

14. **Tables 3.12.3** and **3.12.4** show pupil and teacher numbers and their relationship to each other. The overall pupil:teacher ratio (PTR) has improved markedly in recent years, from 18·5:1 in 1982, to 17·6:1 in 1986. The Government looks to LEAs to achieve continuing reductions in teacher numbers over a period of falling pupil numbers, but accepts that there should be some further modest improvement in the overall PTR, to give effect to Government policies for the curriculum and assessment, and for the in-service training of teachers. The plans assume a PTR of about 17·0:1 by the end of the decade. Actual teacher numbers will also depend on changes in the cost of employing staff: allowance has been made in the forecasts for the additional cost of the salary structure proposed by the Government.

Table 3.12.3 Maintained schools: pupil and teacher numbers (England) **thousands (except where indicated)**

	actual				provisional		projected		
Academic year	1981–82	1982–83	1983–84	1984–85	1985–86	1986–87	1987–88	1988–89	1989–90
Pupil numbers									
Under fives (FTE figures in brackets)	437 (335)	458 (348)	495 (379)	513 (391)	509 (384)	504 (382)	510 (386)	520 (394)	531 (402)
All other primary	3,619	3,435	3,320	3,285	3,301	3,325	3,362	3,420	3,472
Secondary									
– under school leaving age	3,457	3,395	3,318	3,214	3,084	2,952	2,790	2,658	2,573
– over school leaving age	341	346	327	312	305	296	301	294	281
Special schools	119	117	113	109	107	104	101	98	97
Total Pupil numbers	7,973	7,751	7,573	7,433	7,306	7,180	7,065	6,990	6,954
School participation rates (per cent)									
Under fives	40·4	40·2	41·6	43·2	43·1	42·7	42·8	42·7	42·8
Over school leaving age	21·6	22·1	21·2	20·7	20·5	20·4	21·0	21·1	21·4
Teacher numbers									
Primary and secondary schools									
– numbers employed (FTE)	420	415	411	405	403	400	397	396	395
Special schools	18	18	18	17	17	17	17	16	16

Notes

(1) *Pupil numbers are as at January in the relevant year.*

(2) *Pupils under the age of five who attend part-time are counted as 0·5 to calculate the full-time equivalent.*

(3) *Special school figures exclude non-maintained special schools.*

(4) *Special school pupil numbers include those attending part-time.*

(5) *Participation rates for under fives express the number of children under five in nursery and primary schools, part-time or full-time, as a percentage of three and four year olds in the population.*

(6) *The over school leaving age participation rate expresses the number of secondary school pupils over school leaving age as a percentage of the 16 and 17 year old population.*

(7) *The number of teachers given include all teaching staff, whether in school or not (eg because they are on courses of in-service training) and count part-time employees according to their full-time equivalence.*

Table 3.12.4 Primary and secondary schools: pupil:teacher ratios overall — thousands (except where indicated)

Academic year	actual 1981–82	1982–83	1983–84	1984–85	provisional 1985–86	1986–87	projected 1987–88	1988–89	1989–90
[redacted] pupils (excluding special schools)	7,752	7,525	7,345	7,202	7,074	6,954	6,840	6,766	6,729
FTE [redacted]chers (excluding special schools)	420	415	411	405	403	400	397	396	395
Pup[redacted]acher ratios overall	18·5	18·1	17·9	17·8	17·6	17·4	17·2	17·1	17·0

Note
(1)*In calculating the pupil teacher ratios shown above, the total number of teachers employed, whether in schools, on secondment, or on training courses etc is used. The resulting figures are therefore not a measure of the pupil: teacher ratios in effect in schools.*

Schools non-teaching costs

15. Provision for 1987–88 should allow authorities to make significant increases in spending on books and equipment in primary and secondary schools and on the repair and maintenance of school buildings. In addition allowance has been made for costs arising from the new examination for the GCSE. At the same time, the Government expects LEAs to cut the cost of caretaking and cleaning by raising productivity in line with Audit Commission recommendations.

School meals

16. The Government looks to all LEAs to take advantage of the substantial scope which exists for reducing the net cost of the service and which some authorities have used to secure significant savings. Under the Social Security Act 1986 the duty of LEAs to provide free school meals will from April 1988 be restricted to provision for children from families in receipt of Income Support; other low-income families will receive a cash allowance through the new Family Credit.

Performance indicators

17. National examinations provide some indication of what pupils and students are achieving. **Table 3.12.5** shows the position for 1984–85, the most recent year for which results are available, and corresponding figures for 1979–80 and 1974–75.

18. Grades awarded in these examinations depend substantially on how candidates perform in relation to each other. The assessments made for the GCSE will be more closely related to absolute standards of attainment. To reinforce this change the Government aims to develop grade criteria for incorporation in due course into GCSE assessment.

Table 3.12.5 National Examinations in England — per cent

Academic years	1974–75	1979–80	1984–85
GCE A levels			
Percentage of young people (1)(2) achieving			
1 or more passes	17·7	18·3	20·8
3 or more passes	8·6	9·3	10·8
GCE O level and CSE			
Percentage of school leavers achieving			
1 or more graded results (3)	81·1	87·7	90·3
5 or more graded results (3)	58·6	69·9	74·3
5 or more higher grades (4)	22·6	24·0	26·9

Notes
(1)*As a proportion of the 17 year old age group.*
(2)*Figures include A levels taken at institutions of further education.*
(3)*O level grades A to E and CSE grades 1 to 5.*
(4)*O level grades A to C and CSE grade 1.*
(5)*All figures include examinations taken at independent schools.*

19. Information about the performance of cohorts of pupils at various ages between 11 and 15 in English language, mathematics, science and foreign languages will continue to be provided from the national surveys by the Assessment of Performance Unit. A note on the publications reporting the main findings to date is included in the bibliography.

Unit costs 20. **Table 3.12.6** shows unit costs in maintained primary and secondary schools in real terms.

Table 3.12.6 Maintained primary and secondary schools; unit costs (England)

Financial Years	actual 1979–80	1980–81	1981–82	1982–83	1983–84	1984–85	estimated 1985–86
Unit costs in real terms (1979–80 = 100)	100	107	111	112	117	120	124

Notes

(1) The average unit cost on which the above index is based is calculated by dividing the relevant aggregate expenditure by financial year full-time equivalent pupil numbers. The expenditure figure includes all items of recurrent expenditure including salaries, premises costs, supplies and administration costs.

(2) Figures above exclude provision for under 5s and special schools.

The Assisted Places Scheme 21. The Assisted Places Scheme enables bright children to benefit from attendance at good independent secondary schools which their parents could not otherwise afford. The take-up rate for places available at the 226 participating schools at age 11 to 13 has risen from 82% initially to over 98%. The proportion of pupils benefitting from full fee remission on entering the scheme has risen from 37% to 42%. When the scheme is fully developed in September 1987, it will offer some 33,200 places. The Government's expenditure plans provide for the growth of the scheme to its full planned size.

City Technology Colleges 22. The Government's plans provide for the establishment of City Technology Colleges. These schools will be state aided but independent of LEAs. They are designed, experimentally, to widen the choice of secondary school for families in disadvantaged urban areas and to provide models for the effective teaching of a broad curriculum with an emphasis on science, technology and business understanding in a disciplined learning environment. Their sponsors will be expected to meet all, or a substantial part, of the capital costs. They will receive a grant related to the number of pupils and sufficient to meet all items of current expenditure which would fall on an LEA for a comparable school which it maintains.

Non-advanced further education

Aims and objectives 23. The Government's principal objectives for non-advanced further education (NAFE) are that LEAs and colleges should continue to respond to the needs of employers and students with a wide range of full-time and part-time courses; to encourage greater participation in post-16 education and training; and that the resources devoted to the sector should be used more efficiently. In a joint efficiency study with the local authority associations the Government is exploring the scope for improvements in efficiency in NAFE, and identifying the performance indicators needed, such as retention rates and qualifications achieved.

Student numbers 24. The Government's plans should enable authorities and colleges to continue to respond to changes in demands and in the nature of the student population. Future numbers are necessarily uncertain: in particular, the effect on participation among the 16-18 age groups of central and local policies to increase the qualification levels of school and college leavers cannot be forecast precisely. Some student numbers for 1988–89 and 1989–90 in **Table 3.12.7** are therefore shown as a range.

Table 3.12.7 Maintained colleges: NAFE student and staff numbers (England) thousands (except as indicated)

Academic Year	actual 1981–82	1982–83	1983–84	1984–85	projected 1985–86	1986–87	1987–88	1988–89	1989–90
Total students (FTE)	499	519	523	524	529	527	530	{ 527 531	{ 518 526
of which;									
Full-time and sandwich (FTE)	308	325	308	308	309	286	284	{ 281 283	{ 275 281
YOPS/YTS (FTE) (2)	10	22	46	44	45	67	72	71	66
Overseas (FTE)	9	6	6	6	8	8	8	8	8
Home and EC 16-18s (excluding evening only) (FTE)	330	352	346	342	342	335	335	{ 329 332	{ 317 322
Age participation rate (per cent) (3)	22·4	22·6	23·5	24·1	24·4	25·6	26·0	{ 26·1 26·3	{ 25·8 26·1
Academic staff: numbers employed (FTE) (4)	58·4	58·9	60·9	60·9	59·9				
Student: staff ratios overall	8·5	8·7	8·6	8·65	8·8				

Notes

(1) *In later years a range of figures is shown. This reflects uncertainties in future demand.*

(2) *The increase in participation in 1986–87 reflects the introduction and operation of the 2 year YTS.*

(3) *The age participation rate is for 16-18 year olds domiciled in the UK and EC excluding those on evening only courses. It is obtained by dividing the relevant numbers participating in education by the relevant population.*

(4) *Academic staff figures are derived from local authorities' Form 618G and Annual Monitoring Survey returns.*

Student: staff ratios

25. The average student to staff ratio (SSR) for NAFE tightened slightly between 1984–85 and 1985–86, from 8·65:1 to 8·8:1. SSR targets for the period of the plans are, however, under review in the joint efficiency study with the local authority associations. But the Government looks to LEAs to tighten SSRs by around 3 per cent between 1985–86 and 1987–88, to reach a national SSR of 9:1 in the 1987–88 academic year. The Government's expenditure plans assume a continuing annual reduction of 3 per cent in the number of NAFE lecturers in the later years of the Survey, about half the rate of natural wastage. This would yield an SSR of 9·4 or 9·5:1 in 1989–90, depending on student numbers.

NAFE non-teaching costs

26. The Government's plans for NAFE allow scope for LEAs to increase spending on books and equipment, and on repairs and maintenance. But it expects authorities to take steps to secure the greater efficiency in non-teaching provision to which attention has been drawn by the Audit Commission and to which the joint efficiency study's work is in part addressed.

Unit costs

27. **Table 3.12.8** shows unit costs in NAFE in real terms.

Table 3.12.8 Maintained Colleges: NAFE unit costs (England)

Financial years	actual 1980–81	1981–82	1982–83	1983–84	provisional 1984–85	1985–86
Unit costs in real terms (1979–80 = 100)	100	100	99	99	101	94

Note

(1) *The average unit cost on which the above index is based is calculated by dividing the relevant aggregate recurrent expenditure by financial year full-time equivalent student numbers. The expenditure figure includes all items of recurrent expenditure including salaries, premises costs, supplies and administration costs, less the amount received by LEAs as tuition fees.*

In-service teacher training

28. The Government's aim is to consolidate a high-quality, cost-effective and resilient system of teacher training. In particular, the Government announced in August 1986 the introduction of a new scheme of grant for in-service training (INSET). The scheme covers school and further education teachers and its aims are to promote professional development and better management of teachers through better planning of INSET and training in national and local priority areas.

29. Up to £200 million of expenditure will be supported by the scheme in 1987–88 including £70 million on the national priority areas. The scheme will allow up to 100,000 teachers a year to be trained for an average of 20 days. The national priorities for 1987–88 concentrate on training for the GCSE, and training for curriculum areas where expertise is in short supply, such as mathematics, science and CDT (craft, design and technology).

Higher education

Aims and objectives

30. The Government's general objectives in providing funding for higher education are to secure the pursuit of scholarship and research of high quality in all subjects; the effective provision of general intellectual training and specific preparation for employment; and the satisfaction of the many specific needs of firms, the Government and other agencies for knowledge and advice.

31. Within that context the Government is particularly concerned to ensure that:

- places are available for all who have the necessary intellectual competence, motivation and maturity to benefit from higher education and who wish to do so;
- employers are able to recruit the highly qualified manpower that they need;
- the maintenance and improvement of quality, particularly in teaching, is the subject of continuing concern and appraisal; and that
- the quality of institutional management is improved in the pursuit of greater economy, efficiency and value for money.

The Government intends to review the implications for the supply of highly qualified manpower of the substantial fall by the middle of the next decade in the size of the 18-21 year old age group.

Student numbers

32. Specific action in pursuit of these objectives is identified in the separate paragraphs on the universities and the public sector of higher education. For higher education generally, the Government expects that the age participation index (API) for 18–19 year olds which reached 13.9 in 1985–86 will continue to rise to at least 16 by the end of the century and that there will be further significant increases in the number of mature entrants over the next decade. The Government has recently published "Projections of Demand for Higher Education in Great Britain 1986-2000" which indicates possible future trends in student numbers on the basis of varying assumptions. Details of student numbers and the API are given in **Table 3.12.9**.

33. One initiative to secure the necessary output of highly qualified manpower is the Government's Engineering and Technology Programme, which began in Autumn 1985 and which, by 1989–90, will have created an additional 5000 places on degree courses in these subjects. The Government is monitoring the take-up of places, as well as the effect of the programme on recruitment to similar courses in both the university and public sectors.

34. Taking account of the Engineering and Technology Programme the projected output of graduates by broad subject area is shown in **Chart 3.12.10**.

Table 3.12.9 Higher and further education student and staff numbers

thousands (except as indicated)

Academic year	actual 1981–82	1982–83	1983–84	1984–85	provisional 1985–86	projected 1986–87	1987–88	1988–89	1989–90
Home full-time and sandwich students									
Universities (GB)	266	262	258	256	255	255	254	252	253
Public sector higher education (England)	187	204	218	226	229	256	258	258	261
Total home full-time	453	466	476	482	484	231	232	233	235
						232	235	238	241
						486	486	485	488
						488	493	496	502
Overseas full-time and sandwich students									
Universities (GB)	35	33	34	35	36	36	36	36	36
Public sector higher education (England)	16	14	12	12	13	36	36	36	36
Total full-time (home and overseas)	504	513	522	529	533	13	13	13	13
						13	13	13	14
						535	535	534	537
						537	542	545	552
Part-time students									
Universities (GB)	33	34	35	36	37	37	37	37	38
Public sector higher education (England)	165	166	172	172	185	38	39	41	42
Open University (UK)	71	75	76	77	79	186	187	188	189
						188	192	196	199
						80	82	84	86
Total part-time	269	275	283	285	301	303	306	309	312
						306	313	321	326
Total FTE of part-time	94	96	99	100	105	106	107	108	109
						107	110	112	114
Age Participation Index (GB)	13·1	13·4	13·2	13·7	13·9	14·0	14·2	14·2	14·7
						14·1	14·5	14·6	15·2
Qualified Participation Index (GB)	87·1	86·8	81·5	82·8	83·2	83·2	83·2	83·2	83·2
						83·8	84·3	84·8	85·3
Academic Staff									
University (GB, fulltime only)	42·8	42·0	42·1	42·5	N/A				
Local Authority Higher Education (England, FTE)	25·7	26·2	25·9	26·2	25·4				
Student: staff ratios									
Universities	9·7	10·1	10·2	10·3	N/A				
Local Authority Higher Education (England)	9·3	9·7	10·3	10·8	11·2				

Notes

(1) *For later years, alternative figures are given for student numbers, the Age Participation Index and the Qualified Participation Index. The smaller alternative is consistent with that given as projection P in the Government's recent publication "Projections of Demand for Higher Education in Great Britain 1986-2000". The larger figures are consistent with those given as projection Q. The Open University figures given are subsequent to those given in that publication.*

(2) *Home students are those whose permanent residence is in the UK.*

(3) *Full-time equivalent conversion factors vary in the different sectors and for different levels of course. An illustrative average factor of 35% has been used for all part-time students.*

(4) *The Age Participation Index is defined as the number of initial home entrants to HE aged under 21 expressed as a percentage of the average of the number of 18 and 19 year olds in the population.*

(5) *The Qualified Participation Index is defined as the number of initial home entrants to HE aged under 21 expressed as a percentage of the number of qualified school leavers and FE leavers in the previous academic year.*

(6) *Local authority higher education is higher education provision in polytechnics and other colleges maintained or assisted by local education authorities.*

(7) *Student staff ratios are not comparable between sectors due to the different methods of calculation used.*

(8) *Open University figures relate to calendar years (1985= 1984-5 above) and include undergraduate, postgraduate and associate students.*

Universities

35. The Government has agreed with the University Grants Committee and the Committee of Vice-Chancellors and Principals an action programme for the pursuit of its objectives in relation to the universities which includes:

— the rationalisation of small departments;

— the review and development of the policy of selectivity in the research funding of universities through the UGC;

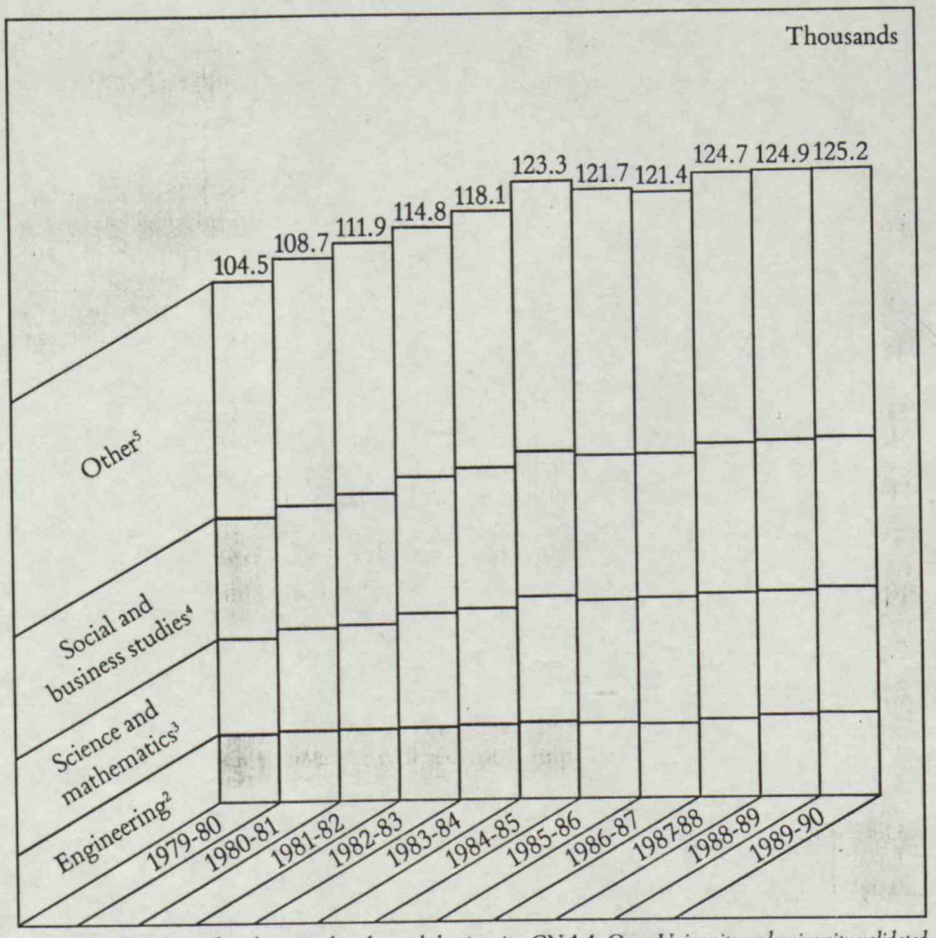
— measures to follow up the recommendations of the Jarratt Report on efficiency in the universities;

— the development of national guidelines for performance appraisal for academic and academic-related staff and related programmes of staff development; and

— the development and publication by each university of a range of cost and performance indicators.

36. The provision for the universities underlying the figures in **Table 3.12** implies recurrent grant for the financial years 1987–88, 1988–89 and 1989–90 of £1,413 million, £1,463 million and £1,508 million respectively. These figures rise in the later years at the rate of the Government's assumption for inflation in the economy generally. The Government will review its plans in the light of the progress which is made on the action programme set out above.

Chart 3.12.10 First degrees awarded in academic years 1979–80 to 1984–85 and projected years 1985–86 to 1989–90 (Great Britain[1])



1. *Includes all graduates from home or abroad awarded university, CNAA, Open University and university validated degrees. The numbers for CNAA and university validated degrees are estimated.*
2. *Includes all engineering, and electrical subjects and electronic engineering.*
3. *Includes biological sciences, physical sciences, mathematics, computer science, agriculture and veterinary science.*
4. *Includes sociology, business management, accountancy, economics, geography, public administration, law and psychology.*
5. *Includes all Open University graduates and all other graduates in education, medicine, architecture and other professional and vocational subjects, languages, literature and other arts.*

Public sector higher education

37. Provision for local authority higher education (LAHE) for 1987–88 allows for an increase in recurrent expenditure in England of £64 million over previous plans for that year. Of this increase £15 million is in respect of selective initiatives in institutions of recognised strength aimed at:

—the development of new courses in science and technology, particularly conversion courses in shortage subjects;

—the extension of applied research in areas relevant to, and supported by, industry and the expansion of technician support for in technology subjects;

—an increase in the number of students taking PICKUP (Professional, Industrial and Commercial Up-dating) courses in polytechnics and colleges.

38. The plans assume that local education authorities will have taken, and sustained, the measures necessary to achieve the student:staff ratio (SSR) of 12:1 adopted as a planning target by the National Advisory Body for Public Sector Higher Education (NAB). Average SSRs in polytechnics and colleges reached 10·8:1 in 1984–85 with polytechnics operating at an average SSR of 11·5:1. The Government looks to authorities to continue to achieve efficiency savings in non-teaching costs.

39. A study of good management practice in Public Sector Higher Education, including the use and development of performance indicators, is being undertaken at the Government's request by the NAB, which will report in 1987.

40. For the voluntary and direct grant colleges, provision has been made for a slight increase in recurrent funding compared to the plans in Cmnd 9702 to reflect the

planned increase in intakes to initial teacher training courses and to retain broad comparability with the centrally approved funding for LAHE.

Unit costs

41. **Table 3.12.11** shows unit costs for universities and maintained AFE in real terms.

Table 3.12.11 Higher education: unit costs

Financial years	actual 1980–81	1981–82	1982–83	1983–84	1984–85	real terms (1980–81 =100) provisional 1985–86
Universities (GB)	100	97	99	100	100	97
Local authority higher education (England)	100	97	93	88	87	84

Note

(1) *The average unit cost on which the index for universities is based is calculated by dividing total UGC grant and tuition fee income (both home and overseas) by the financial year average student numbers.*

(2) *The average unit cost on which the index for LAHE is based is calculated by dividing the aggregate recurrent expenditure in maintained institutions (gross of tuition fees but excluding miscellaneous incomes) by the financial year FTE student numbers.*

Teacher supply

42. For all sectors of higher education the Government's expenditure plans include an element to finance teacher training initiatives to help improve the supply of school teachers in mathematics, physics and technology.

Student awards

43. Provision for student awards allows for a small increase in the number of mandatory award holders consistent with projection P in Table **3.12.9** (see Note 1). A comprehensive review of all aspects of financial support for students studying at first degree or equivalent level is in progress.

Science

44. The Science Budget goes mainly as grant-in-aid to the five Research Councils, which support scientific research and related postgraduate education. They work closely with institutions of higher education; undertake research in their own units; and provide large-scale national and international facilities for the use of research workers.

Aims and objectives

45. The Government's aim in providing funding for science is to maintain and enhance the strength and quality of the science base, and to improve its contribution to the efficiency, competitiveness and innovative capacity of the national economy. This involves sustaining longer-term fundamental research of high quality and the output of the associated manpower; together with the selective exploitation of opportunities for the application of knowledge and skills in many fields, notably industry, agriculture, medicine and environmental management.

Resources

46. The Science Budget in 1987–88 will be £656 million, an increase of £26 million over previous plans for that year. The Government's plans provide for Science Budgets of £667 million in 1988–89 and £680 million in 1989–90. The Secretary of State has distributed the funds available, after receiving advice from the Advisory Board for the Research Councils (ABRC).

Management of the science budget

47. The Research Councils are setting priorities and being more selective. Management is tighter; resources are being rationalised. In 1986, all Councils published corporate plans. The ABRC are preparing a strategy document for the science base as a whole. Following the Financial Management Initiative, consultations are taking place with a view to simplifying central controls so that Councils can manage their resources more effectively.

Collaboration with industry

48. Research Councils are working more closely with industry. For example, the Medical Research Council have established a Centre for Collaborative Research to bring together industrial, academic and clinical partners. Four projects with UK companies, worth about £1 million, have already been signed and others are being negotiated. The Natural Environment Research Council's Institute of Marine Environmental Research and the Environment Laboratory of the Water Research Centre have combined resources to provide Aquamarine, a comprehensive service to the water, chemical and oil industries. The Science and Engineering Research Council are the prime contractor in a £7 million collaborative programme for the development of better methods of modelling the behaviour of semi-conductor devices, which is part of the European Community's ESPRIT initiative in information technology.

Performance indicators

49. The Government recognises that assessment of the outcomes of research is a complex business which cannot sensibly be based exclusively or even mainly on simple quantitative measures. However, used as an adjunct to the traditional means of assessment—peer review—quantitative measures may shed useful light on certain aspects of performance. In October 1986 the ABRC, Royal Society and ESRC jointly published the report of a major study of quantitative and semi-quantitative measures of national performance in basic research. The measures examined included publication counts, citation analysis, measures of esteem and migration data. The study found that the application of a range of these techniques was helpful in the assessment of national performance in the two fields which the study looked at in detail—genetics and physics. Across all fields the study found that, on the measures used, the UK's performance since the early 1970s has been slowly declining in absolute terms: nevertheless in terms of publications and citations the UK was in 1982 still ahead of all OECD countries other than the USA. Further ABRC studies in hand include a bibliometric project which aims to produce profiles of all UK research establishments (university departments, polytechnics, Research Council establishments and Government laboratories) involved in civil research and development, indicating the number and influence of their research publications. At their level, individual Research Councils are continuing to pursue the development and implementation of output measures to supplement more traditional means of assessment. For example:

— AFRC has established an Economics Panel at Reading University to advise on methods of research assessment and their application. This will study the future of agricultural and food systems and the economics of agricultural and food R&D.

— SERC has undertaken a major review of the work supported by its Engineering Board. Among a number of independent evaluative studies commissioned by the Review Committee, one undertaken by the Technical Change Centre found substantial direct and indirect economic benefits to industry.

Manpower and running costs

Table 3.12.12 Department of Education and Science manpower ceilings

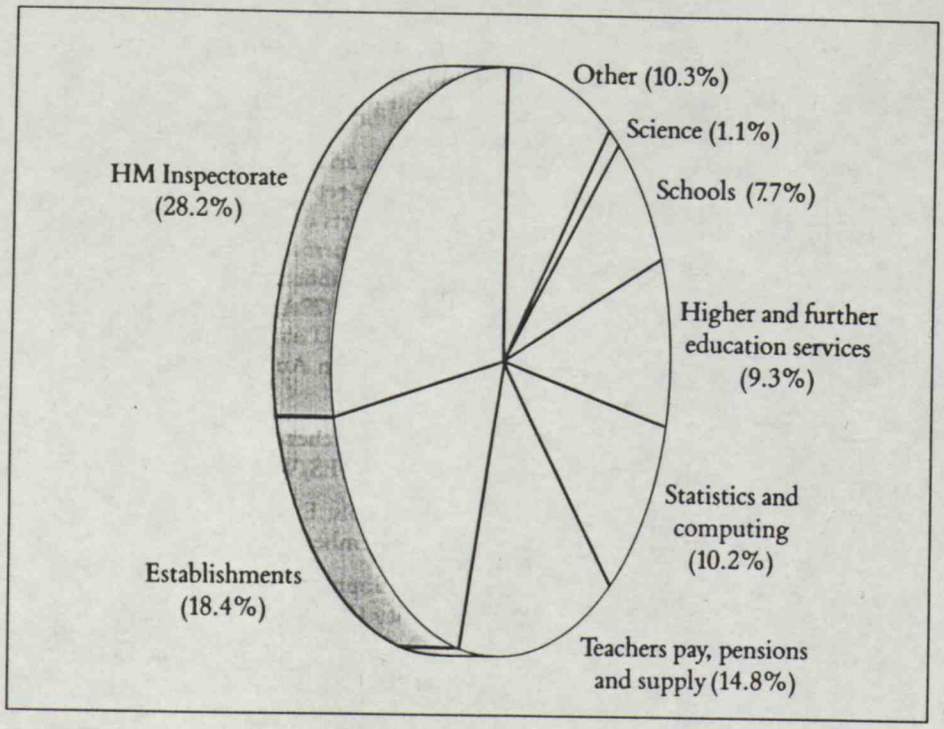
1.4.86	1.4.87	1.4.88	1.4.89
2,437	2,450	2,450	2,450

Table 3.12.13 Running costs targets **£ million**

1986–87	1987–88	1988–89	1989–90
54·0	58·639	60·073	61·497

50. The manpower figures allow for growth in the size of HM Inspectorate and their support staff, and for changes in the tasks falling on the Department. **Chart 3.12.14** shows the broad disposition of staff at 1 September 1986.

Chart 3.12.14 DES manpower, 1986.



Bibliography

Acts

Education Act 1986. HMSO, 1986.

Education (No 2) Act 1986. HMSO, 1986.

Schools

Better Schools. (Cmnd 9469) HMSO, 1985.

Report by Her Majesty's Inspectors on the Effects of Local Authority Expenditure Policies on Education Provision in England—1985. DES, 1986. (The Report deals with NAFE and AFE as well as schools).

A Survey of the Lower Attaining Pupils Programme: The First Two Years. A Report by HM Inspectors. DES, 1986.

Towards Better Management of Secondary Education. Audit Commission. HMSO, 1986.

Providing for Quality, The Pattern of Organisation to Age 19. Draft Circular. DES, 1986.

Falling Rolls and Size of Schools: Report of a Joint Working Group of the DES and the Local Authority Associations. DES, 1986.

City Technology Colleges: A New Choice of School. DES, 1986.

Curriculum and Examinations

General Certificate of Secondary Education: Improving Examinations at 16+. DES, 1986.

Curriculum Matters (numbers 6 and 7): Health Education and Geography from 5 to 16. HMSO, 1986.

English from 5 to 16. The Responses to Curriculum Matters 1. An HMI Report. HMSO, 1986.

Science 5 to 16: A Statement of Policy. HMSO, 1985.

Local Authority Policies for the School Curriculum: report on the Circular 8/83 Review. DES, 1986.

Foreign Languages in the School Curriculum: A Draft Statement of Policy. DES, 1986.

Broadening A level Studies: Advanced Supplementary (AS) levels: A Guide for Schools and Colleges. DES, 1986.

Certificate of Pre-Vocational education: Steps forward to work: A Practical Guide for Personnel Officers, Careers Teachers and Careers Officers. DES, 1986.

Report of the Working Party on Criteria for Pre-Vocational Course Pre-16. DES, 1986.

Sex Education at School. Draft Circular. DES News 105/86. DES, 1986.

Treatment of Politically Controversial Issues in Schools and Colleges: Draft Statement of Principles and Draft Circular: DES News 32/86. DES 1986.

Assessment of Performance Unit

Publications arising from the work of the Assessment of Performance Unit (APU) include short reports for the classroom teacher, discussion documents and occasional papers. Reports on foreign language performance, mathematical development, language performance and science in schools were published in 1986. Information about APU publications is available on request from the Assessment of Performance Unit, Room 4/77A, Elizabeth House, York Road, LONDON SE1 7PH.

Teachers

Local Education Authority Training Grant Scheme: Financial Year 1987–88. Circular 6/86.

Action on Teacher Supply in Mathematics, Physics and Technology; A Consultative Document. DES/WO, 1986.

Better Schools; Evaluation and Appraisal Conference. Proceedings. Birmingham 14-15 November 1985. HMSO, 1986.

Further and Higher Education

The Development of Higher Education into the 1990s. (Cmnd 9524). HMSO, 1985.
University Grants Committee. Annual Survey Academic Year 1984–85. (Cmnd 9815) HMSO, 1986.

National Advisory Board for Public Sector Higher Education—Annual Report 1985. NAB, 1986.

Projections of Demand for Higher Education in Great Britain 1986-2000. DES, 1986.

Letters from the Chairman of the UGC and CVCP on University Improvements. DES News 287/86. DES, 1986. (The letters were also reproduced in the House of Commons Official Report Vol 103 Cols 491–496.)

Working Together—Education and Training. (Cmnd 9823) HMSO, 1986.

Degree Courses in the Public Sector: Quality and Validation: The Government's Response to the Lindop Report. DES, 1986.

Education and Training Post-16: Speech by Sir Keith Joseph to North of England Education Conference. 4 January 1986. DES News 1/86. DES, 1986.

Joint Study of Efficiency in NAFE: Interim Report. DES, 1986.

Review of Vocational Qualifications in England and Wales: Report by the Working Group. April 1986. HMSO, 1986.

Science

High Energy Particle Physics in the United Kingdom: report of a group set up by ABRC and SERC. ABRC, 1985.

Science and Public Expenditure 1986. ABRC, 1986.

Report of the Working Party on the Private Sector funding of Scientific Research. ABRC, 1986.

The Government Response to the First Report from the Education, Science and Arts Committee, Session 1984–85: The future of the Science Budget. (Cmnd 9849) HMSO, 1986.

Evaluation of National Performance in Basic Science: ABRC Science Policy Studies No 1. ABRC and the Royal Society, 1986.

An International Comparison of Government Funding of Academic and Academically-related Research: ABRC Science Policy Studies No 2. ABRC and the Science Policy Review Unit, Sussex University, 1986.

Statistics

Education Statistics for the United Kingdom 1985. HMSO, 1986.

Volumes of Statistics of Education (1985) (Nos 1-5) are now available from the DES. Volume 6, "Universities", has been replaced by three volumes of statistics published by the Universities' Statistical Record for the University Grants Committee.

The Department of Education and Science also publishes between 15 and 20 Statistical Bulletins each year covering many aspects of education.

Finance Handbook of Education Unit Costs 1984–85. Chartered Institute of Public Finance and Accounting, 1986.

Educational Building Crime Prevention in Schools: Building Related Aspects. A discussion paper. DES, 1986.

A full list of Architects and Building Branch Publications is available.

Notes
(a) Priced publications are available from Government Bookshops and other booksellers.

(b) Unpriced DES publications are available on request from DES Publications Despatch Centre, Honeypot Lane, Canons Park, STANMORE, Middlesex, HA7 1AZ. A selected list of free DES publications is also available from the same address.

Appendix B

Tuesday, 21 October 1986

THE GUARDIAN

13

Latest figures reveal that spending on education in England rose in 12 months by 9.8 per cent. But the teachers' pay settlement makes real growth difficult to estimate, and future statistics could tell a different story. John Fairhall and Tony Travers report

Damned statistics

BIG DIFFERENCES in Government funding of the 20 City Technology Colleges it intends to open are indicated by the lastest volume of educational statistics from CIPFA (Chartered Institute of Public Finance and Accountancy).

Kenneth Baker, the Education Secretary, announced last week that the Government grant to cover the running cost of a CTC will be on "the basis that it should cover what might reasonably be spent on local education authority maintained schools serving similar localities."

The CIPFA statistics show how much each local education authority thinks it will be spending per secondary pupil during 1986.

So if Mr Baker decides that what the local education authorities are spending is reasonable, he will give a CTC in Bradford only £1,073 per pupil, but nearly £1,500 in Knowsley, £1,628 in Newham and £2,011 in Inner London.

The problem is that Mr Baker and the Government do not think that what the high spending authorities have been spending is reasonable. For years these authorities have been accused of extravagant, wasteful expenditure on their secondary schools.

If Mr Baker believes himself, he should now give his CTCs in ILEA or Knowsley less money for running expenses than the secondary schools around them received from the local authority.

At the other end of the table, Mr Baker could fund a CTC at the £1,100-£1,200 a pupil level of Preston or Portsmouth or Bristol or Southampton or Plymouth. He might then be funding what are supposed to be the super-schools of the inner cities at a level which some of the local authorities say will not pay for enough paint on the walls or books in the classrooms.

The huge differences in secondary school unit costs extends well beyond the 20 inner city areas picked out for possible CTC sites. Brent, Haringey and ILEA each now spend more than £2,000 per secondary school pupil. In 1985-86 only Haringey had broken through the £2,000 barrier.

The highest secondary costs outside London are £1,490 of Knowsley in the metropolitan areas and £1,286 of Buckinghamshire in the non-metropolitans. The range of variation between top and bottom spenders in London (approaching 85 per cent) is far greater than that in the metropolitan areas or in the shires.

Primary unit costs vary from £1,222 in ILEA to £671 in the Wirral. That is, it costs very nearly twice as much to educate the average Inner London primary school pupil as it does in the Wirral. The variations within classes are smaller than this: the lowest London primary unit cost is £760 (Merton), which is almost £100 higher than the lowest unit cost in the metropolitan areas or in the shires. The highest primary school spending per child in the shires and in the metropolitan areas is well below the top London authorities.

The 1986-7 budgets were the first to be set following the change in control in the non-metropolitan counties in May 1985, when the Conservatives did particularly badly and when a number of counties slipped to "no overall control."

The table shows pupil-teacher ratios for all LEAs in England and Wales in each year from 1983-4 to 1986-7. The change in PTR between 1985-6 and 1986-7 is shown. Figures are given separately for primary and secondary schools. There were improvements in PTRs (ie the number of pupils per teacher fell) in the majority of authorities in primary and secondary schools, notably in Leeds, where the secondary PTR fell from 16.0 to 14.2 and in Gloucestershire, where the secondary PTR fell from 17.0 to 16.0. Elsewhere, there were significant increases in PTRs, particularly in Brent (primary) and Newham (primary and secondary).

The range of PTRs is widest in London, varying from 11.2 in Brent (secondary) to 16.8 in Merton (secondary). The variation from top to bottom in secondary PTRs in the metropolitan areas is from 13.4 in Walsall to 17.2 in Newcastle, while in the non-metropolitan areas, the variation is from 14.9 in Nottinghamshire to 17.1 in the Isle of Wight. A similar picture is clear in primary PTRs. The primary PTR in Haringey (17.3) is very similar to the secondary PTR in the Isle of Wight (17.1).

The authorities with the "best" and "worst" PTRs are broadly similar to those in earlier years, particularly in London. It is interesting to note that the authorities with most pupils per teacher in each class (both in primary and secondary schools) have ratios very close to each other.

The highest primary PTR in London is 23.7 (Merton), in the metropolitan areas is 23.4 (Stockport) and in the shire areas is 23.8 (Hereford & Worcester). However, the "best" PTRs in the three classes are more obviously different from each other.

The table also examines unit costs (ie net expenditure per pupil) in primary and in secondary schools for each LEA in each year from 1983-4 to 1986-7. The percentage change in unit costs between 1985-6 and 1986-7 is also shown. As might be expected at a time of inflation and with many authorities having falling rolls, almost all unit costs have risen between 1985-6 and 1986-7. Only Richmond-upon-Thames reported falling secondary unit costs (down from £1,217 to £1,175), while Harrow, Newham, Barnsley, Wolverhampton, Bradford, Leeds, Bedfordshire and Cheshire each record falling primary unit costs.

Barnet shows the biggest increase in primary unit costs between 1985-6 and 1986-7 (up from £797 to £901, plus 13.0 per cent), while in secondary schools, the biggest increases in unit costs took place in Ealing, Knowsley and Leeds. While it is inevitable that changes in unit costs depend on more than spending (particularly being related to changes in pupil numbers, changes in designation of middle schools, changes in accounting practice etc) there are no doubt lessons to be learned from unit cost information. Nevertheless, it is important to take into account authorities' social and demographic circumstances when making decisions about the relative expense or cheapness of any particular authority. It would not always be reasonable to compare, say, neighbouring authorities, if their circumstances were significantly different.

Having remembered these limitations, it is possible to go on to examine the authorities with the highest and lowest unit costs for primary and secondary education.

It is immediately clear that the variations in unit costs are larger than those for PTRs. For example, the highest non-metropolitan PTR is some 16 per cent above the lowest PTR, whereas the highest shire unit cost is 25 per cent above the lowest. This suggests that non-teaching costs are important in explaining away significant differences in authorities' spending.

Overall spending on education in England rose by about 9.8 per cent between 1985-6 budgets and 1986-7 budgets, which resulted in an "overspend" by LEAs of almost £1,100 million in 1986-7. Although the increase seems high, the costs of the teachers' pay settlement must be taken into account. If this is done, the increase seems less impressive. Continuing uncertainty about teachers' pay (and the Government's contribution to any settlement) at present makes it very difficult to make precise estimates about the real growth of education spending in 1986-87.

The whole of education funding is now entering a period of possible reform. New institutions, new specific grants and new arrangements for funding existing LEA services are all influencing what is spent and where by LEAs. The current trend towards direct central funding for much or all of schools and colleges could mean that future volumes of CIPFA statistics start to tell a very different story from that revealed for 1986-87.

Education Statistics 1986-87 Estimates. Chartered Institute of Public Finance and Accountancy, 3 Robert Street, London WC2N 1BH. Price £25 (book) or £100 (disc).

CONT...

2/

. . . CONT

PUPIL-TEACHER RATIOS

	PRIMARY					SECONDARY				
	1983/4	1984/5	1985/6	1986/7	change 1985/6-1986/7	1983/4	1984/5	1985/6	1986/7	change 1985/6-1986/7
LONDON										
ILEA	17.2	17.2	17.5	17.5	-0.10%	13.0	12.8	12.4	12.1	-1.47%
Barking and Dagenham		20.0	19.9	19.1	-4.02%	16.1	16.1	16.1	15.8	-2.17%
Barnet	20.2	19.7	20.1	19.9	-0.87%	14.2	13.9	14.6	14.5	-0.07%
Bexley	24.1	22.9	23.1	22.6	-2.07%	17.0	16.9	16.4	16.1	-1.38%
Brent	17.0	17.2	16.6	18.7	12.89%	13.6	12.7	11.4	11.2	-1.25%
Bromley	22.9	22.8	22.4	22.6	0.68%	15.9	15.7	15.9	15.7	-0.98%
Croydon	22.2	22.1	22.2	21.6	-2.34%	16.7	15.6	15.5	14.7	-5.12%
Ealing	19.3	20.0	19.8	19.8	0.09%	14.8	14.2	14.3	13.6	-4.86%
Enfield	23.4	22.3	22.7	22.4	-1.36%	15.4	14.8	15.0	14.9	-0.84%
Haringey	17.6	17.6	18.3	17.3	-5.40%	13.0	12.5	12.4	11.9	-4.26%
Harrow	23.5	20.8	21.3	21.5	1.34%	14.3	13.9	14.4	14.5	0.94%
Havering	23.6	23.3	23.0	21.7	-5.62%	16.1	15.8	15.5	14.6	-5.51%
Hillingdon	21.9	22.0		21.7		15.8	15.8		16.2	
Hounslow	19.6	20.0	19.7	20.0	1.36%	14.9	15.3	15.7	15.4	-2.20%
Kingston-upon-Thames	21.9	22.1	21.8	21.8	-0.13%	16.4	15.8	14.7	14.3	-2.30%
Merton		26.5	23.9	23.4	-2.22%	18.0	18.1	16.6	16.8	1.24%
Newham	19.1	17.8	18.7	20.8	11.52%	13.4	12.7	11.3	12.8	13.00%
Redbridge	22.3	22.1	22.1	22.3	1.03%	15.9	15.7	15.7	15.3	-2.88%
Richmond-upon-Thames	20.6	21.0	20.9	20.4	-2.55%	16.2	16.7	16.3	16.4	0.60%
Sutton	24.8	24.8	24.7	23.7	-4.02%	17.1	17.1	16.9	16.7	-1.28%
Waltham Forest	19.9	19.8	19.7	19.6	-0.30%	13.5	13.4	12.8	12.5	-2.20%
METROPOLITAN DISTRICTS										
Bolton	23.7	23.3	23.0	23.1	0.15%	16.3	15.9	15.5	15.6	0.43%
Bury	23.8	23.2	23.4	22.9	-2.14%	16.0	15.7	15.6	15.4	-1.22%
Manchester	23.8	22.0	22.0	21.4	-2.56%	15.8	14.4	13.8	13.6	-1.44%
Oldham	21.1	21.0	21.2	20.7	-2.19%	16.5	16.0	15.5	15.1	-2.88%
Rochdale	22.7	22.8	22.9	21.6	-5.41%	14.7	14.9	14.8	14.4	-2.69%
Salford	21.4	21.5	22.2	23.4	5.21%	15.8	15.4	15.2	15.3	0.49%
Stockport	24.2	24.4	23.5	23.4	-0.30%	16.6	16.5	16.1	15.8	-1.90%
Tameside	22.3	22.4	22.6	22.4	-0.57%	15.8	15.8	15.4	15.9	3.47%
Trafford	22.0	21.9	22.7	22.7	0.06%	16.2	16.1	15.7	16.4	4.16%
Wigan	21.7	21.7	22.0	21.8	-0.97%	15.5	15.5	15.1	15.5	2.47%
Knowsley	20.3	21.0	21.1	20.4	-3.00%	15.1	14.1	14.8	14.2	-4.20%
Liverpool	20.5					16.9			14.8	-3.13%
St Helens	22.9	23.0	22.9	23.0	0.37%	15.9	15.6	15.2	16.6	-1.54%
Sefton	23.1	23.9	23.5	22.5	-3.98%	16.7	16.7	16.8	15.9	0.77%
Wirral	22.4	22.6	24.1	22.8	-5.62%	17.5	16.2	15.8	15.3	-5.74%
Barnsley	21.6	21.3	22.7	21.6	-4.62%	16.7	16.6	16.2	16.9	2.31%
Doncaster	20.1	21.6	21.9	21.9	0.02%	15.8	16.6	16.5	16.0	0.61%
Rotherham	22.2	22.0	22.1	22.0	-0.54%	16.8	16.5	15.9	14.8	
Sheffield	20.5	19.9		20.8		15.8	15.4		15.3	-2.52%
Gateshead	19.4	19.3	20.1	19.7	-2.29%	16.4	15.8	15.7	17.2	11.55%
Newcastle upon Tyne	19.9	20.2	21.5	21.5	0.35%	15.1	15.1	15.4	13.7	-2.17%
North Tyneside	20.2	17.4	18.8	18.6	-0.96%	15.0	15.9	14.0	15.2	-0.67%
South Tyneside	19.3	20.2	19.9	20.1	1.06%	15.1	14.8	15.3	15.2	-1.01%
Sunderland	21.9	22.0	22.1	21.9	-0.62%	16.0	15.6	15.4	15.3	-0.50%
Birmingham	21.4	21.4	21.5	21.9	-2.26%	15.9	15.9	15.4	14.0	-5.35%
Coventry	22.9	21.9	21.9	21.7	-0.68%	16.2	15.3	14.8	15.4	-1.44%
Dudley	21.7	22.7	22.3	21.9	-1.63%	17.1	16.4	15.6	14.5	0.98%
Sandwell	21.1	20.4	20.3	21.7	7.00%	15.4	15.4	14-4	16.2	-0.76%
Solihull	23.0	23.2	23.2	23.2	-0.34%	16.9	16.9	16.3	13.4	-4.30%
Walsall	19.5	20.1	20.0	19.7	-1.40%	14.0	14.4	14.0	15.0	3.53%
Wolverhampton	18.6	18.8	19.0	20.0	5.17%	15.0	14.8	14.5	16.9	4.46%
Bradford	20.2	19.8	19.7	21.6	9.23%	17.9	16.8	16.2	16.6	0.24%
Calderdale	21.4	21.4	22.0	21.8	-0.95%	17.5	16.8	16.5	16.3	-2.15%
Kirklees	22.5	22.0	21.8	20.7	-5.16%	17.3	17.1	16.6	14.2	-11.12%
Leeds	17.5	22.7	20.9	21.9	4.71%	18.7	16.0	16.0	15.6	-3.57%
Wakefield	22.2	21.4	21.8	21.4	-2.00%	17.4	16.6	16.2		

Costs 1983-4 to 1986-7
UNIT COSTS

	PRIMARY					SECONDARY				
	1983/4	1984/5	1985/6	1986/7	change 1985/6-1986/7	1983/4	1984/5	1985/6	1986/7	change 1985/6-1986/7
LONDON										
ILEA	£1,111	£1,166	£1,198	£1,222	2.03%	£1,588	£1,754	£1,904	£2,011	5.64%
Barking and Dagenham	£775	£830	£834	£864	3.60%	£1,027	£1,108	£1,200	£1,263	5.47%
Barnet	£767	£801	£797	£901	13.00%	£1,036	£1,134	£1,110	£1,162	4.75%
Bexley	£706	£747	£763	£784	2.75%	£987	£1,044	£1,099	£1,147	4.40%
Brent	£1,016	£1,055	£1,047	£1,088	4.00%	£1,485	£1,630	£1,887	£2,063	9.35%
Bromley	£724	£763	£805	£848	5.25%	£1,058	£1,126	£1,193	£1,299	8.87%
Croydon	£728	£768	£803	£824	2.60%	£1,058	£1,126	£1,324	£1,428	7.82%
Ealing	£918	£972	£943	£944	0.08%	£1,310	£1,455	£1,513	£1,673	10.55%
Enfield	£718	£719	£727	£762	4.85%	£1,024	£1,070	£1,127	£1,208	7.14%
Haringey	£1,002	£1,079	£1,126	£1,129	0.31%	£1,527	£1,765	£2,010	£2,039	1.46%
Harrow	£635	£758	£794	£779	1.89%	£1,247	£1,324	£1,392	£1,419	1.93%
Havering	£699	£741	£775	£804	3.70%	£1,081	£1,142	£1,235	£1,271	2.89%
Hillingdon	£782	£781		£883		£1,095	£1,176		£1,313	
Hounslow	£826	£880	£910	£949	4.29%	£1,014	£1,059	£1,111	£1,175	5.78%
Kingston-upon-Thames	£700	£737	£775	£799	3.09%	£946	£1,037	£1,187	£1,296	9.21%
Merton	£778	£718	£745	£760	1.98%	£876	£911	£1,007		
Newham	£924	£986	£1,038	£1,018	-1.86%	£1,303	£1,408	£1,609	£1,628	1.15%
Redbridge	£697	£745	£780	£782	0.38%	£1,129	£1,194	£1,267	£1,317	3.96%
Richmond-upon-Thames	£756	£772	£822	£839	2.11%	£1,116	£1,131	£1,217	£1,175	-3.42%
Sutton	£683	£711	£740	£798	7.82%	£963	£1,010	£1,038	£1,127	8.63%
Waltham Forest	£814	£873	£901	£924	2.58%	£1,290	£1,429	£1,525	£1,662	8.98%
METROPOLITAN DISTRICTS										
Bolton	£621	£644	£679	£698	2.71%	£889	£962	£1,052	£1,110	5.56%
Bury	£667	£746	£762	£793	4.02%	£1,026	£1,128	£1,191	£1,229	3.12%
Manchester	£762	£793	£817	£843	3.19%	£1,114	£1,212	£1,348	£1,443	7.04%
Oldham	£681	£725	£750	£789	5.09%	£913	£972	£1,062	£1,131	6.51%
Rochdale	£688	£692	£703	£742	5.46%	£1,052	£1,113	£1,191	£1,212	1.75%
Salford	£681	£694	£708	£717	1.27%	£970	£1,057	£1,158	£1,206	4.14%
Stockport	£620	£654	£693	£705	1.81%	£901	£971	£1,070	£1,133	5.93%
Tameside	£678	£726	£753	£786	4.37%	£966	£1,036	£1,154	£1,159	0.40%
Trafford	£654	£670	£695	£717	3.19%	£1,110	£1,173	£1,317	£1,346	2.23%
Wigan	£671	£700	£741	£757	2.10%	£928	£998	£1,111	£1,156	4.11%
Knowsley	£759	£778	£824	£844	2.49%	£1,107	£1,227	£1,315	£1,490	13.29%
Liverpool	£808					£1,081				
St Helens	£630	£675	£696	£736	5.73%	£971	£1,050	£1,112	£1,214	9.22%
Sefton	£645	£657	£702	£710	1.07%	£911	£964	£1,019	£1,081	6.06%
Wirral	£641	£701	£662	£671	1.36%	£931	£1,000	£1,130	£1,179	4.36%
Barnsley	£770	£797	£785	£777	-1.04%	£935	£1,021	£1,136	£1,190	4.71%
Doncaster	£758	£753	£839	£876	4.44%	£959	£1,002	£1,125	£1,144	1.64%
Rotherham	£679	£706	£730	£785	7.47%	£874	£940	£1,029	£1,125	9.30%
Sheffield	£811	£875		£905		£1,044	£1,135		£1,333	
Gateshead	£747	£759	£813	£850	4.56%	£989	£1,097	£1,143	£1,202	5.18%
Newcastle upon Tyne	£830	£843	£862	£884	2.49%	£1,109	£1,201	£1,278	£1,317	3.05%
North Tyneside	£735	£845	£851	£884	3.99%	£1,025	£1,036	£1,232	£1,297	5.28%
South Tyneside	£749	£755	£812	£832	2.47%	£1,012	£1,082	£1,149	£1,226	6.70%
Sunderland	£679	£714	£738	£762	3.33%	£926	£1,009	£1,103	£1,153	4.56%
Birmingham	£652	£688	£712	£716	0.61%	£911	£990	£1,083	£1,167	7.79%
Coventry	£722	£775	£795	£827	4.05%	£986	£1,069	£1,179	£1,261	6.97%
Dudley	£595	£623	£687	£714	4.01%	£867	£937	£1,055	£1,143	8.37%
Sandwell	£712	£770	£807	£819	1.41%	£1,000	£1,079	£1,207	£1,315	8.93%
Solihull	£664	£684	£706	£722	2.32%	£856	£898	£1,008	£1,046	3.82%
Walsall	£786	£810	£848	£875	3.19%	£1,029	£1,066	£1,154	£1,265	9.54%
Wolverhampton	£813	£834	£860	£854	-0.65%	£1,027	£1,105	£1,184	£1,260	6.41%
Bradford	£756	£790	£792	£756	-4.61%	£873	£968	£1,036	£1,073	3.59%
Calderdale	£671	£704	£731	£765	4.75%	£890	£965	£1,055	£1,156	9.59%
Kirklees	£645	£692	£712	£775	8.85%	£851	£910	£983	£1,041	5.85%
Leeds	£693	£719	£774	£734	-5.26%	£887	£976	£1,043	£1,253	20.11%
Wakefield	£681	£753	£764	£798	4.50%	£777	£931	£1,041	£1,138	9.34%

Tuesday, 21 October 1986

2/2

CONT. . .

...CONT

COUNTIES																				
Avon CC	23.2	23.3	23.7	23.6	-0.67%	16.3	16.4	16.3	16.2	-1.02%	£673	£714	£724	£761	5.18%	£987	£1,062	£1,114	£1,174	[illegible]5%
Bedfordshire CC	23.7	23.7	22.3	22.9	2.57%	17.5	16.9	16.9	16.8	-0.37%	£736	£728	£765	£756	-1.16%	£972	£1,035	£1,109	£1,143	[illegible]6%
Berkshire CC	22.7	22.8	23.1	22.8	-1.41%	16.0	15.7	15.6	15.6	-0.16%	£677	£703	£731	£736	0.72%	£982	£1,045	£1,129	£1,149	1.77%
Buckinghamshire CC	24.0	23.8	23.6	23.2	-1.89%	16.1	15.9	15.8	15.9	0.94%	£654	£685	£727	£751	3.42%	£1,076	£1,136	£1,200	£1,286	7.13%
Cambridgeshire CC	23.5	22.9	23.0	22.2	-3.48%	16.8	16.9	16.5	16.2	-1.92%	£628	£665	£687	£727	5.81%	£954	£996	£1,071	£1,129	5.35%
Cheshire CC	22.5	22.9	22.4	23.4	4.47%	16.9	16.9	16.6	16.5	-0.48%	£702	£726	£767	£758	-1.22%	£1,004	£1,045	£1,118	£1,195	6.90%
Cleveland CC	21.9	21.8	21.4	22.0	2.57%	16.2	16.1	15.4	15.8	2.84%	£675	£721	£740	£760	2.71%	£970	£1,030	£1,131	£1,203	6.34%
Cornwall CC	23.5	23.3	23.1	23.3	0.65%	16.8	16.8	16.5	16.4	-0.85%	£607	£671	£702	£705	0.50%	£911	£975	£1,051	£1,088	3.52%
Cumbria CC	21.1	21.1	21.3	21.2	-0.24%	16.1	16.0	15.7	15.4	-1.75%	£716	£726	£758	£812	7.10%	£968	£1,014	£1,131	£1,225	8.37%
Derbyshire CC	22.4	21.6	21.8	22.4	2.73%	17.5	17.3	16.6	16.0	-3.68%	£658	£707	£750	£755	0.63%	£932	£995	£1,099	£1,173	6.78%
Devon CC	23.5	23.3	23.5	22.7	-3.75%	17.0	16.8	16.7	16.7	-0.29%	£615	£654	£676	£691	2.26%	£919	£976	£1,048	£1,102	5.11%
Dorset CC	23.8	23.5	23.4	22.2	-4.97%	17.1	17.0	16.3	16.4	0.51%	£657	£693	£706	£737	4.42%	£872	£919	£995	£1,066	7.11%
Durham CC	21.6	21.8	21.9	21.8	-0.44%	16.7	16.8	17.3	16.5	-4.61%	£685	£683	£773	£791	2.39%	£899	£964	£1,032	£1,133	9.73%
East Sussex CC	21.4	22.9	23.1	22.6	-2.43%	17.0	17.1	17.1	16.7	-2.13%	£646	£661	£693	£721	4.10%	£939	£994	£1,031	£1,098	6.49%
Essex CC	24.0	24.1	23.9	22.8	-4.61%	17.2	17.0	16.8	16.6	-1.49%	£623	£653	£696	£731	5.00%	£945	£1,013	£1,105	£1,169	5.73%
Gloucestershire CC	?	22.7	23.2	22.7	-2.24%	17.3	17.2	17.0	16.0	-6.00%	£633	£658	£679	£722	6.41%	£929	£985	£1,055	£1,126	6.74%
Hampshire CC	23.7	23.6	23.4	21.7	-7.33%	16.8	17.1	17.0	16.7	-1.52%	£636	£657	£692	£737	6.57%	£951	£1,001	£1,053	£1,132	7.57%
Heref'd & Worcester CC	25.7	23.8	23.8	23.8	-0.05%	18.0	17.2	16.8	16.7	-0.18%	£631	£664	£694	£701	1.03%	£887	£964	£1,020	£1,065	4.46%
Hertfordshire CC	22.3	22.6	22.4	22.1	-1.44%	15.9	15.8	15.6	15.0	-4.03%	£664	£690	£730	£760	4.20%	£961	£1,016	£1,093	£1,176	7.55%
Humberside CC	20.8	20.2	21.1	21.5	1.94%	16.8	16.2	16.6	16.6	0.08%	£722	£784	£789	£824	4.49%	£920	£968	£1,023	£1,081	5.68%
Isle of Wight CC	22.5	23.0	23.7	22.8	-4.11%	18.3	18.1	18.1	17.1	-5.88%	£704	£707	£692	£703	1.60%	£911	£960	£1,050	£1,114	6.06%
Kent CC	23.7	23.6	23.7	23.6	-0.14%	17.1	16.8	16.7			£608	£635	£663	£676	1.95%	£904	£996	£1,038	£1,093	5.32%
Lancashire CC	22.4	22.7	22.7	22.5	-0.89%	16.9	16.7	16.5	16.0	-3.45%	£624	£647	£669	£694	3.69%	£951	£1,019	£1,093	£1,174	7.49%
Leicestershire CC	22.9	22.8	22.7	22.5	-0.63%	16.2	16.0	15.4	15.2	-1.22%	£676	£725	£745	£773	3.72%	£968	£1,063	£1,157	£1,242	7.35%
Lincolnshire CC	23.3	23.4	22.7	23.4	3.02%	17.5	17.1	16.8	16.3	-2.66%	£618	£642	£710	£721	1.59%	£977	£1,058	£1,103	£1,194	8.21%
Norfolk CC	21.7	21.9	22.1	22.2	0.24%	16.8	16.6	16.3	16.1	-1.69%	£685	£710	£753	£775	3.02%	£958	£1,008	£1,102	£1,162	5.43%
Northamptonshire CC	22.0	22.1	22.0	22.6	2.49%	16.7	16.3	16.0	16.4	2.48%	£629	£653	£694	£707	1.84%	£923	£980	£1,069	£1,112	4.00%
Northumberland CC	23.1	23.3	24.1	22.9	-5.28%	17.5	17.2	16.8	16.4	-2.61%	£672	£717	£729	£756	3.69%	£888	£943	£1,036	£1,092	5.47%
North Yorkshire CC	22.2	22.4	21.5	22.3	3.68%	16.6	16.4	16.6	16.4	-1.32%	£713	£721	£752	£776	3.19%	£967	£1,046	£1,100	£1,110	0.87%
Nottinghamshire CC	21.0	20.8	20.5	20.6	0.58%	15.6	15.3	15.0	14.9	-0.51%	£729	£777	£825	£842	2.08%	£1,007	£1,077	£1,180	£1,258	6.56%
Oxfordshire CC	24.2	25.0	23.1	22.3	-3.33%	17.2	17.3	16.8	16.5	-2.14%	£664	£712	£743	£778	4.63%	£921	£972	£1,037	£1,098	5.88%
Shropshire CC	21.2	21.8	21.9	21.8	-0.30%	16.2	16.0	15.9	15.8	-0.94%	£666	£706	£750	£786	4.78%	£949	£1,013	£1,109	£1,174	5.85%
Somerset CC	?	24.1	24.1	23.2	-3.60%	17.5	17.7	17.7	16.9	-4.42%	£615	£641	£647	£686	5.93%	£913	£967	£1,025	£1,102	7.59%
Staffordshire CC	22.0	23.0	23.5	23.4	-0.46%	16.4	16.4	16.6	16.5	-0.54%	£739	£731	£748	£781	4.42%	£956	£1,037	£1,102	£1,155	4.76%
Suffolk CC	22.1	21.9	22.1	22.2	0.71%	17.3	16.8	17.0	16.8	-1.50%	£684	£713	£730	£744	1.86%	£873	£941	£1,004	£1,063	5.88%
Surrey CC	21.6	22.0	21.8	21.5	-1.08%	16.3	16.5	16.0	15.7	-1.97%	£653	£674	£716	£741	3.48%	£1,029	£1,085	£1,183	£1,258	6.31%
Warwickshire CC	22.2	22.4	22.4	21.5	-4.04%	17.2	17.1	16.8	16.6	-1.09%	£653	£684	£724	£748	3.28%	£930	£981	£1,069	£1,113	4.08%
West Sussex CC	23.2	23.5	23.5	22.8	-2.87%	17.2	16.9	16.7	16.6	-0.84%	£612	£643	£687	£704	2.55%	£879	£936	£989	£1,020	3.08%
Wiltshire CC	23.3	23.3	22.9	23.0	0.30%	17.0	17.3	17.1	16.9	-1.17%	£617	£656	£675	£718	6.37%	£926	£994	£1,056	£1,126	6.58%

WALES																				
Clwyd CC	22.7	22.4	22.8	22.8	0.22%	17.0	16.7	16.8	16.7	-0.77%	£707	£734	£754	£786	4.18%	£957	£1,007	£1,093	£1,143	4.62%
Dyfed CC	18.7	18.2	19.4	19.8	2.01%	16.0	16.1	16.0	15.8	-1.07%	£745	£809	£812	£818	0.76%	£1,014	£1,050	£1,118	£1,193	6.64%
Gwent CC	20.6	22.6	22.2	23.1	4.39%	15.7	16.1	15.7	15.9	1.24%	£750	£753	£792	£794	0.21%	£1,035	£1,108	£1,221	£1,252	2.51%
Gwynedd CC	18.6	18.6	19.3	19.4	0.32%	15.7	15.6	15.4	15.1	-2.44%	£742	£769	£793	£815	2.72%	£944	£992	£1,074	£1,126	4.83%
Mid Glamorgan CC	20.8	20.8	21.8	21.2	-2.86%	16.5	17.1	16.2	15.4	-4.93%	£756	£788	£817	£843	3.08%	£958	£1,014	£1,093	£1,148	5.06%
Powys CC	18.5	18.3	17.5	17.1	-2.63%	15.9	15.4	15.7	15.3	-2.79%	£879	£917	£947	£985	4.00%	£1,051	£1,120	£1,215	£1,269	4.48%
South Glamorgan CC	22.8	22.7	22.5	22.4	-0.43%	16.5	16.5	16.5	16.4	-0.16%	£843	£869	£714	£740	3.72%	£935	£992	£1,046	£1,105	5.65%
West Glamorgan CC	20.8	21.5	22.5	22.3	-0.53%	15.3	15.9	16.0	15.6	-2.41%	£745	£784	£804	£844	5.00%	£1,123	£1,171	£1,236	£1,308	5.84%

Tuesday, 21 October 1986

3/2

PRIME MINISTER

16 May 1986

AUDIT COMMISSION: TOWARDS BETTER MANAGEMENT OF SECONDARY EDUCATION

LEA's Poor Response to Falling Rolls

Secondary school rolls are falling rapidly at present. From a peak of 4.1 million in 1979 they are expected to reach a trough of 3.0 million by 1991 (a drop of 27%) and rise again to just under 3.3 million by the year 2000.

Potential savings from reduced demand are substantial . If the pupil teacher ratio of 1979 were to be maintained, by 1991 there would be 67,000 less teachers, equivalent to £830m per annum assuming the 1986 average cost per teacher: in addition non-teaching costs (heating, caretaking, cleaning and maintenance of buildings) would save £150-200m per annum: in total a saving of around £1,000m per year.

The theme of the latest Audit Report however is that the response by LEAs to actual and predicted falling rolls is poor eg:

- the reduction in teacher numbers does not match even the slowest rates of run-down considered by the Working Group (DES and LEA officials) advising the Secretary of State;

- even assuming minimum closure assumptions we have 5,000 too many teachers at present at a cost of £65m per annum.

- costs per pupil are rising (18.6% in real terms per pupil since 1979) but these are reflected hardly at all in the quality of education.

- almost two-thirds of LEA's have made no strategic response to falling rolls.

- at present there is excess capacity in terms of pupil places at secondary schools of 16% - by 1991 this will rise to 25%.

- because LEAs are not closing schools, the equivalent of 1,000 secondary schools will be completely empty by the early 1990s, equal to 800,000 empty places.

Improving LEA's performance

The methods suggested for improving performance which require establishing project teams to conduct the reviews, include:

Teachers

a. greater redeployment within and between LEAs by including a redeployment clause in all new contract and if necessary help with travel allowances and removal expenses;

b. more use of part-time teachers;

c. abolishing the 'ring-fence' which LEAs operate as part of their recruitment policies;

d. early retirement and voluntary severance schemes;

Delegating Management Responsiblities to Heads

e. greater freedom for heads to decide within annual budgets the balance of teaching staff, non-teaching staff, telephone costs, in-service training, books and supplies, heating and lighting, cleaning and maintenance, and the ability to carry forward items from year to year;

f. ensuring that Governors are provided with accurate and timely management information;

g. which in turn means management training for teachers.

Cambridgeshire and Solihull have already pursued these initiatives.

Making the Changes Possible

If LEAs are to make the necessary savings more radical changes are necessary.

(i) the process for securing school closures is long and complex: this needs to be simplified so that local education committees do not have more than one third local politicians sitting on them, the criteria the DES apply to reorganisation schemes needs to be clearer, and the objection requirements (at present 10 local electors can impede the process) need to be made more difficult (say requiring 750 people to object);

(ii) the effect of the rate support grant system is to penalise those authorities which reorganise eg

RSG EFFECT OF VOLUNTARY REDUNDANCY

100 teachers in selected authorities
£ million

	£m
Shropshire	2.8
Liverpool	2.9
Hampshire	3.2
Cleveland	3.5
Manchester	3.7
Wolverhampton	3.8
Berkshire	4.0
Hounslow	5.8
[Base cost 100 × £20,000	2.0]

They are also penalised if they sell schools - only 30% of any such receipts can be added to their capital allocation.

(iii) teachers have little direct stake in promoting change because of insufficient local flexibility to determine pay and conditions of service: the Burnham machinery which is complex, mechanistic and inflexible needs changing.

Conclusion

The Report contains a great many interesting ideas which the Secretary of State could usefully implement. In terms of the wider education debate the Review has major implications:

(i) it strongly recommends greater delegation of management responsibilities to heads - which would be a useful step to take as soon as possible;

(ii) it also strongly urges the abolition of Burnham - which is very useful for a post-ACAS report initiative sometime in the autumn;

(iii) the existing and expected excess capacity in the system means that compulsory open-enrolment will yield high dividends;

(iv) with 1,000 potential empty schools by 1991, people wishing to start new schools have ready made buildings which they could buy or rent;

(v) if LEAs are to continue as central to the education service in this country the Report highlights the need for them to be provided with proper incentives if they are to succeed.

BRIAN GRIFFITHS

SECRET

cc BG / BUP

Independent?
Formulation of curriculum

PRIME MINISTER

DES VALUE FOR MONEY SEMINAR: 26 JANUARY 1987

The seminar will be attended by Mr Baker and Sir David Hancock.

Mr Baker will give a presentation of his plans for the future of education. Because of the substantial political sensitivities involved, I think it better that he should explain them himself rather than that I should try to summarise them for you in this brief.

I have already discussed Kenneth Baker's plans with him. They are radical and far-reaching. He will spend a proportion of the time presenting those plans to you. You should focus the discussion as much as possible on how he intends to achieve what he wants. The changes he outlined to me could only be achieved with a very clear idea of how the process of change is to be managed and with the right people in place to deliver the results.

You will want to pick up particular details of his proposals which emerged from his presentation. The important questions to which you need answers will be:

- how will the changes be managed?
- what targets will be in place for ensuring results are achieved on time and on cost?
- how will performance be measured?
- on whom will responsibility rest for results?
- [illegible]

The DES has always had to work through local authorities as the deliverers of educational services. Any arms length relationship demands both a clearly defined set of requirements and skilled management. You may want to ask him whether he has the people or the organisation to achieve the results he wants, either directly from his department or indirectly from the education authorities.

I am copying this minute to Robert Armstrong.

ROBIN IBBS
23 January 1987

DES: FACTUAL BACKGROUND

DES

1. Essentially a headquarters organisation dealing with arms-length expenditure.

2. Manpower ceiling- 2450 until 1 4 88
Running costs - £55m 86/87

Budget

3. The total DES budget for 1986-87 is £15.95 bn, including:

* schools: £9.8 bn
* higher and further education: £4.6 bn (universities: £1.4 bn)
* research councils: £0.6 bn

9.8 / 16.4 bn
6.0
.6
16.4

4. The budget rises to £16.6 bn in 1987/88.

5. The bulk of the money goes to local authorities. Central government expenditure - eg. on universities, direct grant institutions, the Research Council, the new City Technology colleges - accounts for only about one-sixth of the programme.

6. Almost all expenditure is directed through other bodies (l.e.a.s, the UGC, Research Councils). Earmarking of funds for specific purposes is limited eg. Education Support Grant programme introduced in 1985-86 to support national priorities (in 1987-88, total ESG = £64m, → including up to £39m on supervising pupils at midday, £10m on books and equipment for GCSE and £5m on IT in non-advanced further education).

SUBJECT cc MASTER

10 DOWNING STREET

From the Principal Private Secretary

21 January 1987

Dear John,

VALUE FOR MONEY SEMINAR ON DEFENCE PROCUREMENT

The Prime Minister held a meeting today with your Secretary of State, the Minister of State for Defence Procurement, the Permanent Secretary, and the Chief of Defence Procurement to discuss the Department's progress in securing greater value for money in defence procurement. Sir Robin Ibbs and Miss Kate Jenkins from the Efficiency Unit and Mr John Wybrew from the No.10 Policy Unit were also present.

The Secretary of State said that there had been a number of mistakes in defence procurement in recent years. Vigorous steps had been instituted to put matters right. This centred on a sustained programme for securing better value for money, running the Procurement Executive on private sector lines, improved financial management, and the introduction of executive and responsibility budgets for the 340 operating units, with their operating budget of £3.5b. The Department's guiding principle was to place work with the private sector unless there were compelling reasons to do otherwise. Benefits were already emerging from this programme. Civilian manpower had been reduced from 248,000 to 165,000 with a target of 148,000 by 1988; and this at a time of a rising real terms budget. Gold plating had been brought to an end. Last year defence equipment exports had risen to £2.8b. There were great efforts to encourage the private sector to take up benefits of defence technology research. There was greater collaboration on big projects between firms and nations. Contractual relations with suppliers were now on a much more solid, though sometimes tougher, foundation.

The Chief of Defence Procurement said that the value of contracts let through a form of competition had increased from 38 per cent to 65 per cent. He believed that competition was saving about 10 per cent of costs. The recent AWACS contract was a prime example with the eventual price some 11½ per cent below the original bid. The Department were no longer awarding cost-plus contracts of any size, although there were still problem contracts left

over from the old regime. The Executive were trying to convert these old contracts into fixed price or target cost incentive contracts, though sometimes contracts still slipped through the net. ALARM was an example. In this case the prime contractor, BAe, had sub-contracted work to the ROF who had failed to meet their sub-contract. The Executive would now make payments only against clear milestones with substantial retentions, and arrangements, in some cases, for up to 15 per cent of monies already paid to be reimbursed if significant milestones were missed.

The Department were trying to encourage a competitive environment where it was thought that there was only one supplier. The MOD Contracts Bulletin was a valuable tool here. This provided industry with information on MOD contracts and on sub-contracting opportunities available from MOD prime contractors. Another improvement, also brought about at low cost, was the labelling of spare parts with their cost. This enabled fitters to tell the Department if they thought costs were excessive. Firms were no longer virtually guaranteed business when they had been awarded development contracts. The agreement with the Treasury on a 10 per cent year end flexibility was very valuable. This should substantially reduce the year end expenditure surge.

The Chief of Defence Procurement emphasised that an important requirement of the new arrangements was to make available adequate technical expertise at all stages of contract management: to write contract specifications clearly and comprehensivly; to assess tenders to see which give the best value; and to monitor contract performance. Up-to-date information on contracts was essential if Executive Management was to be in control. The new Topmast system, details of which were described in a video presentation, allowed the Procurement Executive Management Board to know quickly the state of individual contracts.

Turning to the future development of value for money procedures in the Executive, the Chief of Defence Procurement indicated that the department were now looking at the manning and tasking of Research Establishments with a view to introducing competition, for example, by requiring more work to be done in the private sector. Firms were being asked to indicate in tenders their record of previous performance, prospects for overseas sales and for commercial spin-off. Further efforts were being made to persuade industry to invest its own money in development. He expected that the forthcoming revision of the non-competitive contracts profit formula would cause protest from suppliers. There would be more emphasis on securing greater reliability of spare parts.

The following points were made in discussion:-

1. The Department's systems did not totally exclude modifications to specifications in cases where such modifications brought lower costs or improved service. But the onus was on suppliers to demonstrate that was the case.

2. Although the Department went to great lengths to keep stock storage times to a minimum, there were occasions when it proved necessary to keep items in stock for considerable periods: for example, where the costs of holding stock were outweighed by the savings from longer production runs. The key was to calculate the costs involved, including the costs of being out of stock.

3. The Department's research establishments now carried out little development work, and 50 per cent of research work was contracted out to industry. Some of the research establishments work, for example, on nuclear and bomb disposal matters, could only be carried out within government establishments. But there could be scope for transferring more work at other establishments to the private sector. There was certainly more to be done in making commercial use of the establishments scientific expertise. Defence Technical Enterprises had been established recently to ferret out ideas in the establishments capable of commercial exploitation by private firms. There need to be arrangements for collaboration with the DTI's and SERC's establishments.

4. The export total of £2.8 billion in 1986 was certainly a record. But though exports had been considerably lower in the two earlier years, our market share had increased at a time when world arms sales were low.

5. The Department should always indicate subsidies from other Government Departments to contractors when putting forward assessments of tenders for defence equipment. Only in this way could the total cost to Government be assessed.

6. It was stressed that the ALARM contract could not be negotiated under the Department's new approach. The difficulty here was that the prime contractor, BAe, had been let down by a sub-contractor who happened to be owned by the Government. The fundamental error of judgment had been made by BAe when they had made a wrong assessment of ROF's capacity. The problems on the contract arose, not from the most technically difficult part of the equipment, but from the rocket motor where it had been thought that the technology was proven. Transferring the sub-contracts from ROF to a German supplier would risk a return to the bad ways of MOD interference into contractual matter for which the prime contractor should take operational responsibility. Collaboration with the German manufacturer might be necessary in the last resort.

7. It was important at the outset to specify the technical breakthroughs necessary in any project. An assessment should be made of the prospects of making those breakthroughs, taking account of the contractor's capacity and record. The timing for each step needed clear definition. At an early planning stage the project needed to be considered in its entirety to assess the total probability of overcoming the various technical hurdles. The Efficiency Unit's scrutiny on scientific and

technological aspects of project management should help answer the question whether the Department had the capacity to design and monitor contracts of this sort. Scientists in the Government Research Establishment should be encouraged to keep close contacts with industry. Industrial scientists with experience of industry needed to be recruited to the Establishments, though it was recognised that pay scales were a strong inhibition on such recruitment. This was a issue likely to be highlighted in the Scientific and Technological Scrutiny.

Sir Robin Ibbs said that the Department had made encouraging progress over the last two years. The video on Topmast had emphasised the crucial importance of making information available so that the Department could keep on top of its many projects. For that to happen, it was essential for project specification to be right from the outset. There needed too to be a formal process in assessing the contractors capability of delivering the specification. The increasing proportion of work carried out by the private sector for the Department underlined the importance of these aspects.

Summing up the discussion, the Prime Minister said that the Department were to be applauded for the improvements introduced recently. But it was still a sad fact that many projects were not performing well. The Department needed therefore to intensify their efforts which the Secretary of State and the Chief of Procurement had described. Attention should be increasingly focussed on the actual results of the new procedures, and not just on the implementation of the procedures themselves. She attached particular importance to the Scrutiny on Scientific and the Technological Aspects of Project Management on which she would want a full report. She would continue to take a close interest in the new arrangements for progress chasing. The growing tightness of the Department's budget gave it a considerable incentive in ensuring that it extracted maximum value for money from its procurement expenditure.

I am sending a copy of this letter to the Private Secretary to the Chief Secretary, Sir Robert Armstrong, Sir Clive Whitmore, Sir Robins Ibbs and Mr Levene.

Nigel Wicks

N.L. Wicks

John Howe Esq
Ministry of Defence.

PRIME MINISTER 20 January 1987

VALUE FOR MONEY SEMINAR - DEFENCE EQUIPMENT PROCUREMENT

Half the UK defence budget of nearly £19 billion pa is spent on equipment procurement. MoD strives for increasing equipment capability so a high proportion (25%) of the total expenditure on equipment supports R & D, notably development.

The management of complex development projects, often at the frontiers of technology, is inescapably difficult. Nimrod is a painful reminder. On the one hand one wants to encourage creativity and innovation. On the other, one must ensure that limited resources of money and expertise are committed to good effect with businesslike discipline and reality.

George Younger's presentation will describe the new "chemistry" of defence equipment procurement. Changes were necessary. Cost-plus contracts, often awarded without competition to a privileged circle of equipment suppliers, had become a scandalously expensive gravy train. Technical excellence and creativity were dissipated through bad management. The tax payer wasn't getting value for money.

The first phase of the new approach has entailed a radical change of culture based on good Thatcherite principles of competition and payment for specified results. The effects have sometimes been painful- as GEC will attest - but the change of attitudes has been healthy. The broad question to be addressed at your seminar is what we should now build on these solid foundations. You might like to attack the following issues with some gusto.

1 The Buy-British Syndrome.

The UK is second only to the US in the diversity of its defence industry. We still operate an industrial policy in this substantial part of the manufacturing sector.

Corporatist attitudes remain deeply embedded; the Government funds collaborative R & D; one of the circle of approved defence contractors is selected as the vehicle to turn the fruits of that R & D into equipment which meets the needs of the British armed forces; if the equipment is good enough for the MOD, it must be good enough for export markets.

We still aspire to have a British capability in every part of the defence field. Indeed, there are powerful vested interests with strong voices in Westminster reinforcing this aspiration. But as weapon systems become ever more sophisticated and expensive, the financial burden becomes intolerable. Increasingly we are turning to collaborative international ventures as the means of keeping a finger in every pie. But such ventures are notoriously difficult to manage and usually entail formidable overheads.

- Why not drop our prententions and concentrate on developing a competitive capability in limited parts of the market. Instead of trying to remain a Harrods, why not become a Marks and Spencer?

- Of course the MOD must be prepared to shop in similar overseas supermarkets for the equipment not available in the UK. Isn't it time we broke the mould of policy in the face of unsustainable aspirations to buy British in every sphere?

2 Rolls Royce versus Ford Standards.

In many businesses it is easy to make sensible trade-offs between quality/performance and cost. For the complex highly- technical systems used in the defence field this is much more difficult. How do you prevent the boffins convincing the fighting men that they need the latest piece of gadgetry produced to Rolls Royce standards? Justifiably, the Treasury doubt that the Equipment Policy

Committee is an effective check on this tendency. They fear that too often the MoD specify Rolls Royce standards when all they need is a workmanlike Ford.

In consequence the MoD get less bang for their buck and we price ourselves out of export markets, particularly in Third World countries. The French have learnt this lesson to good effect; witness their withdrawal from the European Fighter Aircraft project.

- Are we striking the right balance between quality/performance and price? Are marginal MoD preferences given too much weight at the expense of cost and export potential?

3 Spurs to performance and efficiency.

Given the often novel state-of- the- art technology in the defence field, we should be wary of depending too much on the spur of competition. In some cases only one or perhaps two UK contractors have the technical capability to undertake a development project.

There is no merit in creating the appearance of vigorous competition by inviting contractors of dubious capability and experience to bid; far better concentrate on preparing a tight project specification and contractual framework; then use the spur of payment only after the achievement of specified results. GEC eventually volunteered this for Nimrod, but sadly too late.

- Are we pursuing competition too slavishly when in some cases tight contractual disciplines would be a more effective spur to performance?

4. Procurement versus Project Management.

Procurement and project management are different disciplines requiring different expertise; in procurement

you contract with someone else to drive you where you want to go; in project management you take the driving seat. We have the impression that there is still much confusion within MoD over who is driving and who is being driven in particular cases. The discontinuities caused by the frequent re-assignment of military staff do not help.

- Is MoD sacrificing value for money through confusion over procurement and project management? Is there sufficient professionalism and continuity in these key areas?

Conclusion

Breaking away from cosy cost-plus contracts and introducing competition and contractual discipline has been a good start. But there are other dragons to be slayed - the grandiose urge to retain a defence industry more akin to Harrods than Marks & Spencer, and an industrial policy (influenced by powerful political lobbies) disguised as defence procurement.

JOHN WYBREW

MR TAYLOR

cc Front Door
Mr Fountain
Duty Clerk

DEFENCE VALUE FOR MONEY SEMINAR

The Ministry of Defence will be delivering a TV and video in a van tomorrow morning* ready for the above seminar. The equipment will be accompanied by four servicemen - Davis, McFadden, O'Fee and Walker. A civilian, John Oughton will also be present. Could you please make whatever arrangements are necessary.

* @ 10.30

P.A. BEARPARK
20 January 1987

cc B/LP

PRIME MINISTER

VALUE FOR MONEY SEMINAR: DEFENCE PROCUREMENT

The Value for Money Seminar on Defence Procurement will be attended by the Defence Secretary, Lord Trefgarne, Peter Levene and Clive Whitmore.

There are notes within by Robin Ibbs and by the Policy Unit.

The main points on which to press are:

(i) do MOD distinguish properly between procurement, which is getting the best deal you can from some-one else; and project management, where they are actually responsible themselves for meeting their needs? Do they have the right expertise for both?

(ii) do they set unnecessarily high technical and performance standards?

(iii) do we try to produce too much ourselves in Britain? Should we not specialise more (and import what we don't make)?

(iv) how do MOD ensure proper control of international collaborative projects?

(v) do MOD have really adequate progress chasing procedures, to avoid any more Nimrods?

CDP

CHARLES POWELL
20 January 1987

EL3BRE

CONFIDENTIAL

PRIME MINISTER

VALUE FOR MONEY SEMINAR, MOD: WEDNESDAY 21 JANUARY 1987

This seminar is on value for money in the Procurement Executive (PE). The changes which Peter Levene has introduced will be described including more competitive tendering, more contracts with fixed prices or incentive/penalty terms, and reduced interim payments. The basic question is what positive benefits are the changes achieving?

Important issues are:

- What is the evidence of improved results?
- How far have the new tighter procedures spread thoughout the PE?
- Are the new PE procedures reducing the risk element in major procurement decisions?
- Is the right level of long term scientific research being maintained?

Handling

George Younger will make a presentation of what has been done, future plans and the important developments in information systems for top management of the PE. He may include a brief video demonstrating the essential features of their management information system. A list of points to raise is attached to this minute.

The current scrutiny

A scrutiny of scientific and technological aspects of project management within the Procurement Executive has just begun, with the involvement of the Efficiency Unit, and is an outcome of the examination you asked me to make of the papers on Nimrod. It would be helpful if you gave particular support to this scrutiny and asked to be kept informed of its major findings.

I am copying this note to Robert Armstrong and Peter Middleton.

Robin Ibbs
19th January 1987

CONFIDENTIAL

ANNEX

POINTS TO RAISE

1. Contracts. One of the changes has been to reduce interim payments (against milestones) to contractors.

   - What has been the effect of this change?

   - Is there evidence that contractors are not increasing total prices to offset this delay in cash flow?

2. Prime Contractors. The introduction of prime contractors means that MOD are at arms-length during development and production.

   - Is this compatible with the need to be confident that MOD will get the required equipment to specification on time?

   - Do the PE have adequate technical skills available to monitor prime contractors effectively at arms-length?

3. International Collaborative Projects. These introduce more complex management and can reduce the scope for real competition.

   - How is the PE setting out to control international collaborative projects?

4. Equipment Policy Committee.

   - Are the Equipment Policy Committee and its procedures the right mechanism for reaching key policy decisions on procurement projects?

5. Progress Chasing. The PE information system (TOPMAST) is intended to give top management immediate access to progress on projects.

   - How will this enable problems to be identified earlier?

   - When will the system be available?

6. Research. Ministers have discussed and agreed a level of research spending within MOD.

   - What arrangements exist within MOD to ensure that adequate research spending is allocated and used to limit the risk element of future procurement projects?

Efficiency Unit

19 January 1987

CC BG.

From the Minister of State
for Local Government

Department of the Environment
2 Marsham Street
London SW1P 3EB

Telephone 01-212 3434

NBPM

B/PSO/37711/86

13 January 1987

Dear Jean,

EFFICIENCY SCRUTINY REPORT ON THE REGISTRATION SERVICE

Thank you for your letter of 12 December. Fap will request if required.

You will have seen from Angela Rumbold's 6 November 1985 letter that my Department is concerned with the potential financial and manpower implications for local government which implementation of the report's recommendations could involve, and I am pleased that your proposed announcement will refer specifically to close consultation and liaison with local authority interests on the recommendations which you are minded to accept.

My Department's new burdens procedure does require the sponsoring Department to quantify the net effect of any new initiative affecting local government and, if appropriate, to make adequate compensating financial provision available. Increased costs of more than £100,000 per annum fall into this category.

On the understanding that your Department would meet any additional costs to local authorities in implementing those recommendations which are finally adopted, I have no objection to your proposed announcement. Your officials may wish to seek the specific assistance of the local authority associations in quantifying the net effect of the recommendations on local government.

I am copying this letter to the Prime Minister, Quintin Hailsham, John McKay, Nicholas Edwards, David Young, John MacGregor, Tom King, Douglas Hogg and Sir Robin Ibbs.

all good wishes
Yours ever
Rhodes

DR RHODES BOYSON

The Baroness Trumpington

100%
RECYCLED PAPER

Govt Marketing Report.

CONFIDENTIAL

JD.

c. Cabinet +
LOD
LAD
ODA
CWO.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

13 January, 1987.

Dear Joan

VALUE FOR MONEY TARGETS

The Prime Minister has had a report from Sir Robin Ibbs on his annual series of meetings with Ministers in charge of departments to discuss their value for money targets.

The Prime Minister is encouraged by Sir Robin's report. She has noted, in particular, the improvements in the quality of the targets and in the way departments use them as a key part of their efforts to secure better value for money. Compared with a year ago more of the targets are quantified and of a kind that enables progress to be measured; more are concerned with outputs; and there is increasing emphasis on programme and policy areas, and not simply on running costs. One good example is the Department of Transport's target to reduce the turn round time for processing vehicle licence applications from 90% in 10 days to 8 days. Another useful target is DHSS's, to increase the Regions cash releasing programme to £150 million, compared with £120 million for 1985-86. These are demanding targets where success or failure can be readily judged.

The improvement in the quality of some departmental targets shows what more needs to be done in other areas. Only a third of the targets are concerned with outputs: some are narrow compared with the major areas of spending in the Department concerned and there are still too many targets where achievement is difficult to measure. The Prime Minister has therefore asked Sir Robin in his next target round to concentrate on ensuring that targets are:

i) quantified;
ii) enable progress to be measured;
iii) emphasise outputs not only inputs;
iv) extend to programme and policy areas, not only running costs;
v) concentrate on areas which involve large inputs and have substantial scope for improvement.

The Prime Minister has also asked Sir Robin to write to

CONFIDENTIAL

VR

Ministers in April, in advance of his meetings with them, dealing in more detail with the issues raised above and emphasising that targets need to be challenging.

I am copying this letter to the Private Secretaries to Ministers in Charge of Departments, and to Sir Robert Armstrong and Sir Robin Ibbs.

Yours ever
Nigel Wicks

N.L. Wicks

Miss Joan MacNaughton,
Lord President's Office.

CR.
Let me know
outcome.
* N.L.W.

MR. WICKS

TREASURY VALUE FOR MONEY SEMINAR

I am in some difficulties with the above as Peter Brooke wishes to attend a Budget meeting with the Chancellor between 1500 and 1800 hours on 2 February but I have explained to the Chancellor's office the difficulty of getting Robin Ibbs and if you agree I am quite keen to keep this date in for our seminar. The Chancellor's office are going to have a word with the Chancellor about this.

CR. DF * 1430-16.30. Mon 2 Feb.
CR.
Agreed.
We are OK. Ryder will fix for 2 Feb.
CR

(Caroline Ryder)
12 January 1987

Mr Wicks

VALUE FOR MONEY TARGETS

Following our discussion on Sir Robin Ibbs' report to the Prime Minister I am enclosing a draft Private Secretary letter to go to Ministers in charge of departments. It has been agreed by Sir Robin Ibbs.

tpr KATE JENKINS
12 January 1987

DRAFT LETTER FROM PRIVATE SECRETARY TO THE PRIME MINISTER TO PRIVATE SECRETARIES TO ALL MINISTERS IN CHARGE OF DEPARTMENTS

VALUE FOR MONEY TARGETS

The Prime Minister has had a report from Sir Robin Ibbs on his annual series of meetings with Ministers in charge of departments to discuss their value for money targets.

He found improvements in the quality of the targets and in the way they are used as a key part of the effort to secure better value for money. The commitment shown by Ministers and top management to the use of targets is crucial in focussing the attention of Departments on getting more from their resources. The Prime Minister is encouraged by this report.

Compared with a year ago, more of the targets analysed by Sir Robin are quantified and of a kind that enable progress to be measured, more are concerned with outputs, and there is increasing emphasis on programme and policy area and not simply running costs. Among good examples are a target in Customs and Excise for a 12-15% real increase in additional VAT from visits to traders; Health have increased the target for Regions' cash releasing programmes to £150m, compared with £120m for 1985/86. These are demanding targets where success or failure can be readily judged.

However, despite these improvements Sir Robin found that there is still much to be done. In particular even now only just over a third of the targets are concerned with outputs, some are extremely narrow compared with the major areas of spending in the department concerned and, there are too many where achievement is difficult to measure. The Prime Minister has therefore asked Sir Robin in his next target round to concentrate on ensuring that targets are:

i) quantified;
ii) enable progress to be measured;
iii) emphasise outputs not only inputs;
iv) extend to programme and policy areas, not only running costs;
v) concentrate on areas which involve large inputs and have substantial scope for improvement

The Prime Minister has also asked Sir Robin to write to Ministers in April, in advance of his meetings with them, dealing in more detail with the issues raised above and emphasising that targets need to be challenging.

I am copying this letter to those on the attached list.

GOVT MACH Raynes PT22

CCBQ.

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Baroness Trumpington
Joint Parliamentary Under Secretary of State
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London
SE1 6BY

NBPM

12 January 1987

Dear Jean,

THE REGISTRATION SERVICE

Thank you for sending me a copy of your letter of 12 December to Rhodes Boyson about the conclusions you have reached on the implementation of the 1985 Scrutiny report on the Registration Service, and your proposed PQ.

It is disappointing that, having had the Report for nearly two years, we should conclude only now that the legislative constraints should outweigh the arguments for implementing the major recommendation of the scrutiny. I understand that the local authorities are in favour of taking responsibility for the service, and that they have the opportunity to rationalise and improve the registration services in their areas. This offers scope for efficiency savings.

I accept what you and Douglas Hogg say about the difficulties of introducing legislation in this Parliament, but I should be glad to know your longer-term plans for legislation in this area, and what you intend saying about this to local authorities. As your letter makes clear, the scope for implementing many of the recommendations that do not require legislation will depend on the co-operation of local authorities.

I would be grateful if you would keep my officials in touch on those recommendations.

I am copying this letter to the Prime Minister, Quintin Hailsham, Nicholas Edwards, Tom King, John MacKay, Douglas Hogg and Sir Robin Ibbs.

Yours ever,

JOHN MacGREGOR

GOLT MACH

RATNER

PT 22

FILE

CONFIDENTIAL

MJ2CTQ

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

8 January 1987

Dear Tony,

SOCIAL SECURITY VALUE FOR MONEY SEMINAR

The Prime Minister held yesterday a value for money seminar on your Department's social security expenditure. Your Secretary of State, the Minister for Social Security, Sir Robert Armstrong, Sir Kenneth Stowe, Sir Robin Ibbs, Mr France and Mr Blackwell were also present.

Your Secretary of State gave a detailed presentation of how the Department were seeking to improve the value for money from expenditure on social security. The main points which emerged from the presentation were as follows:

(1) The Department faced a massive administrative task, with some 25 million beneficiaries, a more than 11 per cent increase since 1979. This task could not be distinguished from the requirements of social security policy. Recent policy reforms had had a major impact on the operational task. Some of the new reforms would increase the workload, for example, where individual assessment was required.

(2) The administrative task was made harder by major industrial relations problems, introduction of new technology and poor working conditions in certain offices. There were great pressures on staff, especially in inner cities: there was a 60 per cent staff turnover at the Acton office. In such localities one solution was to transfer work out of inner city offices to less hard pressed areas. Pay was not competitive in some areas to that offered by building societies, banks and local authorities.

(3) The Department had achieved substantial administrative savings over the last seven years, though during 1985-86 the proportion of administrative expenditure to total expenditure had increased for the first time for many years. There were, however, bigger prizes in administrative savings still to come.

(4) This increased administrative efficiency had been achieved by a systematic programme for improving management systems. Performance indicators had been introduced and there were budgetary controls now at all levels. Systems had been changed: postal claims saving 1700 jobs, legal aid centralisation saving 165, computer terminals saving 2,000.

OSG

The introduction of private couriers had saved £7m., a staff suggestion scheme had generated savings of £30m. and efficiency scrutinies had produced another £57m. At the same time the service offered had been improved, for example by establishing the free phone system.

(5) The key to the next substantial improvement was computerisation. Some projects were already operating. Computerisation would be generating savings of some £165 million a year by 1996, including saving 15,000 staff posts. By that date, total savings should have amounted to £1 billion, though as the Prime Minister pointed out, the costs of computerisation amounting to some £580 million needed to be offset against those savings. By 1996 offices would be fully automated, including the establishment of a central file on individuals accessible throughout the local office network. Computerisation would help in tackling abuse. It would open possibilitites for linking the system with banks, building societies and perhaps facilitate a closer relationship with the tax system.

Sir Robin Ibbs said that the Department's achievements were substantial. He was, however, concerned that the only explicit target for the new computerisation programme related to 1996. Without detailed interim targets, there was a risk that continued investment in the system would not produce the budgeted savings on time. Mr France assured Sir Robin that interim targets were available and would be provided to the Efficiency Unit.

Sir Robin Ibbs noted that even small reductions in the ratio of administrative expense to total expenditure produced sizeable money savings. Each area of the Department's business as well as its new projects, needed it own quantified targets. He particularly welcomed the figures quoted in the Secretary of State's presentation of the costs per thousand claims of the so called "demand led" expenditure. Department targets should be extended to cover such activity, beyond the Post Office target set for this year.

In discussion reference was made to the problems of ensuring value for money on housing benefit expenditure. This was an area of expenditure which needed to be kept under close review. It was noted too that payment of benefit through automatic credit transfer could produce further savings. But there was a certain consumer resistance to this as well as continuing objection from the powerful sub-postmaster lobby. This too was an issue which needed to be kept under review.

Summing up the discussion, the Prime Minister said that the Department were to be commended on their success in controlling their administrative expenditure. They had before them an ambitious programme of computerisation which was capable of producing further substantial savings. For this to happen, the programme would require the tightest managment. The Department should discuss further with the Efficiency Unit the system of targets established for monitoring and controlling the implementation of the computerisation

programme and for securing the planned savings. The Department should also discuss with the Efficiency Unit plans for extending quantified targets to other areas of their work.

I am sending a copy of this letter to the Private Secretary to the Chief Secretary, Sir Robert Armstrong, Sir Kenneth Stowe, Sir Robin Ibbs, Mr France and Mr Blackwell in the Policy Unit.

Yours sincerely,

Nigel Wicks

N.L. WICKS

Tony Laurance, Esq.,
Department of Health and Social Security.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

8 January 1987

Dear Kate,

Herewith a draft of yesterday afternoon's discussion. Could you please let me have any comments urgently. You will wish, in particular, to examine the record of the Prime Minister's summing up to check that it gives you what you want.

I should be grateful for a reply, if not today, by early tomorrow.

Yours sincerely,

Nigel Wicks

N.L. Wicks

Miss Kate Jenkins
Efficiency Unit.

DRAFT LETTER FROM MR N. L. WICKS TO MR LAURANCE, DHSS

SOCIAL SECURITY VALUE FOR MONEY SEMINAR

The Prime Minister held yesterday a value for money seminar on your Department's social security expenditure. Your Secretary of State, the Minister for Social Security, Sir Robert Armstrong, Sir Kenneth Stowe, Sir Robin Ibbs, Mr France and Mr Blackwell were also present.

Your Secretary of State gave a detailed presentation of how the Department were seeking to improve the value for money from expenditure on social security. The main points which emerged from the presentation were as follows:

(1) The Department faced a massive administrative task, with some 25 million beneficiaries, a more than 11 per cent increase since 1979. This task could not be distinguished from the requirements of social security policy. Recent policy reforms had had a major impact on the operational task. Some of the new reforms would increase the workload, for example, where individual assessment was required.

(2) The administrative task was made harder by major industrial relations problems, introduction of new technology and poor working conditions in certain offices. There were great pressures on staff, especially in inner cities: there was a 60 per cent staff turnover at the Acton office. In such localities one solution was to transfer work out of inner city offices to less hard pressed areas. Pay was not competitive in some areas to that offered by building societies, banks and local authorities.

(3) The Department had achieved substantial administrative savings over the last seven years though during 1985-86 the proportion of administrative expenditure to total expenditure had increased for the first time for many years. There were, however, bigger prizes in administrative savings still to come.

(4) This increased administrative efficiency had been achieved by a systematic programme for improving management systems. Performance indicators had been introduced and there were budgetary controls now at all levels. Systems had been changed: postal claims saving 17,000 jobs, legal aid centralisation saving 165, computer terminals saving 2,000. The introduction of private couriers had saved £7m., a staff suggestion scheme had generated savings of £30m. and efficiency scrutinies had produced another £57m. At the same time the service offered had been improved, for example by establishing the free phone system.

(5) The key to the new operational strategy was computerisation. Some projects were already operating. Computerisation would be generating savings of some £165m. by 1996, including saving 15,000 staff posts. By then offices would be fully automated, including the establishment of a central file on individuals accessible throughout the local office network. Computerisation would help in tackling abuse. It would open possibilitites for linking the system with banks, building societies and perhaps facilitate a closer relationship with the tax system.

Sir Robin Ibbs said that the Department's achievements were substantial. He was, however, concerned that the only explicit target given to the Efficiency Unit for the new computerisation programme related to 1996. Without detailed interim targets, there was a risk that continued investment in the system would not produce the budgeted savings on time. Mr France assured Sir Robin that interim targets were available and would be provided to the Efficiency Unit.

Sir Robin Ibbs noted that even small reductions in the ratio of administrative expense to total expenditure produced sizeable money savings. Each area of the Department's business as well as its new projects, needed it own quantified targets. He particularly welcomed the figures quoted in the Secretary of State's presentation of the costs per thousand claims of the so called "demand led" expenditure. Department targets should be extended to cover such activity, beyond the Post Office target set for this year.

In discussion reference was made to the problems of ensuring value for money on housing benefit expenditure. This was an area of expenditure which needed to be kept under close review. It was noted too that payment of benefit through automatic credit transfer could produce further savings. But there was a certain consumer resistance to this as well as continuing objection from the powerful sub-postmaster lobby. This too was an issue which needed to be kept under review.

Summing up the discussion, the Prime Minister said that the Department were to be commended on their success in controlling their administrative expenditure. They had before them an ambitious programme of computerisation which was capable of producing further substantial savings. For this to happen, the programme would require the tightest managment. The Department should discuss further with the Efficiency Unit the system of targets established for monitoring and controlling the implementation of the computerisation programme and for securing the planned savings. The Department should also discuss with the Efficiency Unit plans for extending quantified targets to other areas of their work.

I am sending a copy of this letter to the Private Secretary to the Chief Secretary, Sir Robert Armstrong, Sir Kenneth Stowe, Sir Robin Ibbs, Mr France and Mr Blackwell in the Policy Unit.

MJ2CTN

Nelson

PRIME MINISTER

- dated 31.12.86.

Robin Ibb's Annual Report below on progress with value for money targets is encouraging. But there is clearly more to do.

I suggest that when you see Robin tomorrow, you ask him whether his efforts would be helped by your sending Ministers a minute commending progress made, and urging further effort.

We are maintaining the programme for VFM seminars: tomorrow on Social Security, Defence on 21 January, Education on 26 January, and Customs on 2 February. (I am sorry about this bunching which has occurred because of diary re-arrangements last year.)

N.L.W.

NLW

6 January, 1987.

CF - Minute below to Mark Fields.

10 DOWNING STREET

PRIME MINISTER

Sir Robin Ibbs would like to discuss with you the progress of the scrutiny on "Next Steps in Civil Service Management", which you commissioned, through my letter attached, last autumn.

Agree to see him in the next three weeks?

M. Wicks
9.30 - 10.30
TUE 27 JAN. CR.

N.L.W.

(N.L. WICKS)
5 January 1987

Mrs Rydes.

PC arrange through Kate Jenkins. NLW 6.1

file

BM

bc: Mr. Griffiths.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN IBBS
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 bring about further improvements in efficiency and management throughout the Service.

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.

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

N.L.W.

N.L. WICKS
3 November 1986

CE 8/1/87

PRIME MINISTER 6 January 1987

DHSS VALUE FOR MONEY SEMINAR

Although the Social Security budget accounts for almost one-third of Government spending, it is probably the most difficult area in which to ensure value for money. The bulk of the expenditure is determined by policy judgements, which are outside the scope of this meeting. However, administration costs - at £1.5bn - are enormous compared to any private organisation.

You will need to focus the discussion to make progress. Our priority list would be:

1. More targets. In such a large organisation, cost and performance can only be improved by continual, aggressive management pressure. DHSS have started developing a range of performance indicators, but have so far identified few concrete targets for improving performance.

   Measuring performance provides little benefit unless you know what you are trying to achieve. Furthermore, these performance indicators are not reviewed regularly above regional level - the Secretary of State rarely sees them.

   You should press the Department to establish a clear set of year to year improvement targets on each performance indicator at national level - covering specific operations such as through-put times and accuracy rates. Such targets should not be restricted to areas where the Department has already identified achievable improvements: their purpose is to stimulate the management process of searching for ways to meet a stretching target. Other large organisations use a similar process - British Rail for example in targetting the percentage of trains on time and British Telecom in targetting fault repair times. Without crude targets as a forcing device, management will never go through the painful process of trying to analyse and improve the system. This is likely to be especially true

for DHSS where so much of the expenditure is demand-led - making it easier to evade the normal budget disciplines.

2. Computerisation. This is a huge investment by any standards. Experience with other systems should make one cautious about accepting promised results. You will want to be satisfied that they have a proper system for monitoring progress, with appropriate milestones. You might also question how well DHSS are prepared to deal with the emerging industrial relations resistance to introducing the new working procedures required to get the full savings.

3. Out-stationing. There are already plans to move some of the clerical functions associated with offices to the outskirts of the City to get over recruitment problems. With computerisation and electronic mail, it might be possible to be even more radical - dispersing many of the 'back office' functions to a number of regional processing sites. Many central DHSS functions might also be candidates for regional dispersal. Is this worth re-examining?

4. Trade-off between efficiency and benefits scrutiny. While pushing for improvements in clerical efficiency, you might also question whether the Departments desire to reduce costs has led it to cut out functions which actually play an important role in policing the benefit system. Very few benefit cases now get home visits, for example. Is it clear what effect this has had on claim levels? We must avoid replicating the damage to the unemployment benefit system resulting from earlier recommendations to improve efficiency by reducing contact with the unemployed.

Norman Blackwell

NORMAN BLACKWELL

Prime Minister.
This is for Wednesdays meeting. You may like to look at the brief over the w/e.
MEH 2/7

PRIME MINISTER

DHSS VALUE FOR MONEY SEMINAR: 4.30 PM, 7 JANUARY 1987

The seminar is about social security operations. It will be attended by Mr Fowler, Mr Major, Sir Kenneth Stowe and Mr Chris France (Second Permanent Secretary in charge of social security).

2. Social security is one of the biggest executive operations in government:
- 92,700 staff
- 500 local offices
- £1.5 billion administration costs
- £41 billion benefit payments
- 25 million beneficiaries

Objectives

3. I suggest that the objectives of the seminar should be:

(a) to get over your own strong interest in seeing improved management
(b) to emphasise the importance of Ministers showing an interest to their department in having good management
(c) to encourage the setting of tough targets for improving value

Format

4. Mr Fowler has been invited to give a 20 minute presentation on main improvements achieved in the last year and targetted improvements for the future. Thereafter there should be about 40 minutes for discussion. I attach at Annex 1 some possible questions.

Overall picture

5. DHSS has coped with an increased workload (+11% claimants since 1979) with a decrease in staff (until recently). Administration costs have declined from 5% of benefit costs to 4.5%. This is an achievement and deserves credit. (Benefit costs have, however, increased in real terms in the last five years by 30%.)

0.5%

6. There are signs that the system is under stress - eg high turnover of staff, particularly in London; some offices with large backlogs of work. The unions are strong; industrial relations are fragile. In the short term, more staff are being allocated to DHSS. In the longer term the social security reforms and computerisation are seen as the answers.

Social security reforms

7. A brief note on the main reforms is at Annex 2. Main issues are:
- how the reforms will give better value
- how the reforms are being implemented (a major management operation)
- how the success of the reforms will be evaluated

Operational (computerisation) Strategy

8. All benefits will be computerised by 1996. The aim is quicker and cheaper payment of benefits. The strategy is the largest computerisation project in Europe. It is divided into stages:

1) the Local Office Micro Project (LOMP) which should have microcomputers helping calculate supplementary benefit in all local offices very soon
2) from 1988 the Local Office Project (LOP), which will computerise the new benefits and link up to form an integrated system.

9. The cost of the strategy is about £700m. This should result in a total staff saving of £1 billion by 1996 and thereafter an annual saving of £165m.

10. The important issues are:
- whether there are clear targets for results from the strategy
- whether advances in new technology will outpace DHSS plans

Value for money targets

11. The main target this year is a reduction on the Post Office bill of 1.5% (worth £4.6m). This is a fairly low level, but useful target. However, against total administrative expenditure of £1.5bn it appears to fall short of wholehearted use of targets.

12. DHSS use a range of performance indicators. Performance indicators are a useful management tool. They are not, however, a substitute for carefully chosen and tough targets to improve particular aspects of performance (eg to reduce backlogs from 10 weeks to 2 weeks).

Scrutinies

13. In 1985/86 there were scrutinies of Agency Benefits (copy of recent correspondence with your office at Annex 3) and the Solicitor's Branch. The Agency Benefits scrutiny showed possible savings of about £20m. Most of these savings are unlikely to be achieved in the short term because of the difficulties of making changes which affect prescription charge exemptions.

14. This year there has been one good scrutiny of Liable Relatives. There are potential savings of 600-700 staff and £15-25m in benefits. Encouragement from you to push forward on implementing this scrutiny would be valuable.

15. Other scrutinies are planned on:
- Contracting Out (there is some will to make this a really radical look at options - your encouragement would be valuable)
- Social Security Regional Offices - future role
- Servicing the load - the benefits which are 'in payment'
- Printing and publications

16. Some of these scrutinies may be run by the DHSS itself to test whether DHSS can make them rigorous and keep them from going cosy. This would be an important step in getting the department to have real 'ownership' of its scrutinies.

Progress monitoring

17. You asked me to see whether a simple system could be set up by DHSS and MOD to monitor progress on major projects. You have seen reports from MOD. DHSS have not produced any material in a satisfactory form yet. They intend to produce simple and short reports on major milestones on implementing the social security reviews and the Operational Strategy. This is the right approach. The delay in getting the first report to you is unsatisfactory.

18. You may like to ask why you have not yet had a report.

19. I am sending a copy of this note to Robert Armstrong.

ROBIN IBBS [approved by Sir Robin and signed in his absence]
2 January 1987

ANNEX 1

PRIME MINISTER'S VFM SEMINAR ON SOCIAL SECURITY OPERATIONS

POSSIBLE QUESTIONS

Service to the public

[The Operational Strategy and the social security reforms have as one of their objectives better service to the public]

What specific targets are there for improving service? (eg quantified reductions in delays)

Social Security reforms

How will DHSS know that the reforms are meeting their objectives of better targetting of benefits etc?

What evaluation is going to take place? Have criteria for evaluation been set?

Will implementation of the reforms happen on time?

How does top management know that implementation is going well? (What monitoring systems are there?)

Operational Strategy

Are the plans sufficiently flexible to take account of the rapid advance of technology?

How helpful do staff find the micros they now have? How fully are they used? What benefits are there, eg productivity, accuracy of payments?

Are the micros helping staff acclimatise to new technology? What proportion of staff will have used micros regularly by the end of the year?

Are there targets for increased speed of payments as a result of computerisation?

Do DHSS have sufficient expertise to deliver the system? What is their view of the right balance between consultant help and in-house work?

Efficiency Unit
January 1987

ANNEX 2

SOCIAL SECURITY REFORMS

The main reforms are:

PENSIONS

SERPS to be modified to provide partnership between state and occupational/personal pensions. Measures to reduce emerging costs.

INCOME SUPPORT AND SOCIAL FUND

Income support and the Social Fund supersede Supplementary Benefit. Income support will be easier to run and simpler to understand. The Social Fund will help people with special or emergency needs. It will provide realistic payments to help with maternity or funeral expenses to those who need them.

FAMILY CREDIT

Family Credit supersedes Family Income Supplement. Aim is to reduce worse effects of poverty trap. Assessments are to be made on basis of net income.

HOUSING BENEFIT

Housing Benefit will be greatly simplified, and linked firmly to income support assessment.

Efficiency Unit
January 1987

010

Prime Minister

If you agree, I will write, as follow up, in terms of the draft attached to all Departments.

N.L.W.

12.1

PERSONAL & CONFIDENTIAL

PRIME MINISTER

Yes please

VALUE FOR MONEY TARGETS

I have completed my annual series of meetings with Ministers in charge of departments to discuss progress on their value for money targets.

These meetings were much better than those held last year. Ministers and senior management demonstrated that they are increasingly using targets as a key part of their efforts to secure better value for money. We had constructive discussions on how targets are being set and monitored. I have no doubt that in most departments positive use is now being made of them and that they are not simply being prepared for the meetings with me.

This is important because, as departments are not subject to forces of external competition, the setting of ambitious but attainable targets is one of the few ways available of stimulating a desire to improve. That is why I attach so much importance to these annual meetings and to your value for money seminars. It is very noticeable that the prospect of one of those seminars generates an acute interest in targets and progress in a department, and that the momentum continues long afterwards.

My meetings showed that the targets themselves are getting better. More are quantified and of a kind that enables progress to be measured. More are concerned with outputs rather than being limited to inputs. Instead of restriction simply to running costs, there is increasing emphasis on those programme and policy areas where enormous sums are being spent. However, despite these improvements there is still much to be done.

To provide a basis for sharpening the approach to targets next year, we have analysed in several ways the 201 targets that were put to me in the course of the meetings. Probably the most interesting evidence from this is the swing towards greater concern with output - because it shows improvement but also indicates how far there is still to go. In the previous year the analysis showed 18% of targets had outputs in them; this year the figure has risen to 35%. I should like to get this up to at least 50% as soon as we can. But I need to approach this carefully so that it represents genuine emphasis on outputs in departments, not merely a desire to show evidence of conforming with a current fashion. In this context a good development this year has been completion by the FCO of a scrutiny on the use of output measures for their work. Better still, virtually all the recommendations from it have been accepted and are being firmly implemented by Ministers and senior officials.

Among the individual targets put to me this year some are excellent and show a clear appreciation of what is needed. For example, Customs have set a target, and published it, of a 12 - 15% (£60m - £76m) real increase in additional tax from visits to traders. This is clearly quantified and will demand an increase in output over a given baseline. Health have increased the target for Regions' cash releasing programmes to £150m, compared with £120m for 1985/86. This is a good example of strong pressure to go on getting better. These are demanding targets and ones where success or failure can be readily judged.

But not all targets are framed in this way. There are still too many which are concerned with processes or are unquantified or whose achievement is difficult to measure. Some are extremely narrow compared with major areas of spending in the department concerned. Indeed some appear to be no more than normal management actions the absence of which would be culpable. Among these apparently rather unenterprising examples is one put forward by the DTI where there is a target to assess by September 1986 the results of the work done in Latin America and the Caribbean on selective marketing of organic chemicals and instruments. Another rather disappointing example is one Treasury target to consolidate and build on savings arising from reorganisation in 1985/86. However it is possible that even these somewhat general intentions indicate an improvement compared with a previous situation with no targets at all.

While overall the evidence of improvement is encouraging it remains patchy. I am convinced that calling for good targets is the best means we have of maintaining and sharpening interest throughout departments in obtaining better value. It is one of the few ways available for ensuring that the many systems that have been introduced, such as budgeting, are put to good use and do not become bureaucratic formalities. I therefore propose next Spring to resume my annual round of discussions with Ministers and Permanent Secretaries. I am equally certain of the importance of your continuing with your value for money seminars. Next year I intend to concentrate on getting stretching targets with emphasis on results and outputs.

I shall report to you again when we have details of the results achieved against the current 1986/87 targets.

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

Robin Ibbs
31st December 1986

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SWIH 9AT

PARLIAMENTARY UNDER
SECRETARY OF STATE

CABG

MEA

30 December 1986

Dear Lady Trumpington,

will request if required.

Thank you for the copy of your letter of 12 December to Rhodes Boyson about the Efficiency Scrutiny Report on the Registration Service.

I agree that we should let local authorities know that we shall not be making any legislative changes in this Parliament and I am very content that it should be left to them to consider the position of local registration offices.

Your draft of an arranged PQ seems to cover the issues extremely well.

I am copying this letter to the recipients of yours.

Yours sincerely

Douglas

PP DOUGLAS HOGG

(Approved by Mr Hogg and signed, in his absence, by his Private Secretary).

The Baroness Trumpington

001/1285

nbpm (letter only)

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Home Secretary
Home Office
50 Queen Anne's Gate
London
SW1H 9AT

30th December 1986

Dear Douglas,

CONSULTANCY, INSPECTION AND REVIEW SERVICES (CIR)
JMU's SECOND IMPLEMENTATION REPORT

Richard Luce and I have put to the Prime Minister the second report by the Joint Management Unit on the implementation of the Efficiency Unit's Consultancy, Inspection and Review Services (CIR) Report. I attach a copy of the JMU's report.

IN FOLDER AT BACK OF FILE

You will remember that last year I set out the yardsticks by which I was proposing to judge Departments' progress, and the JMU's report is built around those yardsticks. On the whole, the picture is reasonably encouraging in most Departments, with CIR staff better co-ordinated, more responsive to the needs of line managers, and working hard to produce better indicators of their own performance; and with line managers being actively encouraged to seek better value for money, and doing so.

The main points arising from this report which I would like to stress are:

- up to now we have, necessarily, been concentrating on getting the systems right. From now on we will be looking for the results from the improved systems;

- the top management of Departments needs to remind line managers explicitly of their primary responsibility for getting better value for money. Developing budgeting is important, but relying on the system is not enough. And the message needs regular reinforcing;

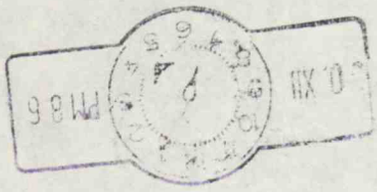
- top management should be actively directing and focusing the CIR work done for them;

- line managers increasingly need some basic CIR skills to enable them to manage effectively. Their training should include some of the basic assignment skills.

The CIR task is not yet complete. We agree with the proposal to integrate further work on it with the follow up to the MDR of budgeting, which is crucial to the developing CIR arrangements. We want to move further towards the concept of co-ordinated CIR services, working to help line management and top management achieve better value for money.

The Prime Minister particularly stresses the first point above, that what is needed now above all is more results, and she wants to see Departments focus on this. So we shall want to have from all Departments next October (when they are due to report again on their budgeting progress) their best examples of real, substantial improvements in the management of programmes and administrative expenditure. From now on seeing these coming through will be the real test.

I am copying this letter, with copies of the report, to the Prime Minister, Ministers in charge of Departments, Sir Robin Ibbs and Sir Robert Armstrong.



Yours ever,

JK

JOHN MacGREGOR

Jel BM (77).

10 DOWNING STREET

23 December 1986

From the Private Secretary

MAJOR CAPITAL CONTRACTS

The Prime Minister has seen your Minister's minute of 8 December.

She has welcomed the report on "Capital Expenditure Contracts", and noted the progress that has been made. She hopes that even greater progress can be made in the future, and has asked that the next report should include clear milestones against which to measure progress in terms of results.

In particular, she endorses your Minister's view that there is a need for early decisions on the question of payments for and untying of PSA services.

She hopes that departments will deal promptly with any shortcomings in their own control procedures, and that they will ensure that adequate resources are devoted to the task, both in terms of quality and quantity.

I am copying this letter to the Private Secretaries to the Minister of State, Privy Council Office, Sir Robert Armstrong and Sir Robin Ibbs.

(P.A. BEARPARK)

Mike W. Norgrove, Esq.,
HM Treasury

6

FLE
JA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 December 1986

CAPITAL EXPENDITURE CONTRACTS

The Prime Minister has seen your Secretary of State's minute of 17 December. She has not made any specific comments on this; but I am sending you separately a copy of her comments on the Great Britain paper in case you find any of these are appropriate to your circumstances.

I am copying this to Sir Robin Ibbs' office.

(P.A. BEARPARK)

Neil Ward, Esq.,
Northern Ireland Office.

6

CONFIDENTIAL

cc Efficiency Unit
(Andrew Jackson)

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

22 December 1986

Dear Tony,

SCRUTINY OF AGENCY BENEFITS

Thank you for your letter of 8 December about the Efficiency Scrutiny on Agency Benefits.

The Prime Minister agrees with your Department's approach to the follow-up of this Scrutiny, i.e.:

- to look urgently at ways of simplifying low income exemption schemes which are consistent with previous ministerial commitments;

- to aim at achieving the administrative savings by April 1988 through the centralisation of the work;

- to use the April 1988 centralisation to tighten up procedures and thus cut back on abuse.

More generally, the Prime Minister wishes nothing to be said which would inhibit the possibility of further reform in the longer term.

Yours ever,

Nigel Wicks

N L WICKS

Tony Laurance, Esq.,
Department of Health and Social Security.

CONFIDENTIAL

EC1

C C86 C

PRIME MINISTER

MAJOR CAPITAL EXPENDITURE CONTRACTS

Peter Brooke has sent you a report on progress on improving handling of Capital Expenditure Projects.

It is of course good that there has been some progress but I am disappointed that it is mostly on "process" and that there is not yet more evidence of useful results.

I agree with Peter's statement in paragraph 6 that there is a need for early decisions on the question of payment and untying for PSA services. However the sort of progress to which I attach importance is clear evidence of appointment, in all relevant departments, of better project managers with well defined tasks.

I sugest that you should ask that in the next report to you there should be clear milestones against which to measure progress in terms of results and also hopefully, some encouraging statement of achievement.

I am copying this to Peter Brooke and Robert Armstrong.

ROBIN IBBS
19 December 1986

PRIME MINISTER

MAJOR CAPITAL CONTRACTS

At Flag A is a minute from Peter Brooke reporting on departments' progress in improving their performance in managing capital projects and reducing time and cost overruns. Policy Unit comments are at Flag B, and a minute from Robin Ibbs is at Flag C.

The overall message seems to be that some progress has been made. But more and faster progress is required, and in particular early action is needed on the question of payment and untying of PSA services.

Agree that I should write

- welcoming the report but urging greater haste, and clearer milestones against which to measure progress;

- stressing the need for early decisions on the transfer from PSA;

- asking for the appointment of better project managers with well defined tasks (David Hobson also queries the lack of resources devoted to the task in the Home Office);

I have also attached the relevant papers for Northern Ireland which is covered separately.

P A BEARPARK
19 December 1986

SLHADY

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

MR. R. HURST

CABINET OFFICE

CONSULTANCY, INSPECTION AND REVIEW SERVICES - JMU'S SECOND IMPLEMENTATION REPORT

The Prime Minister has seen Robin Ibbs' minute of 9 December. She agrees that more results are required, and that departments should be given a clear message to this effect.

I am copying this minute to Jill Rutter (Chief Secretary's Office) and Michael Stark (Office of the Minister for the Arts).

P A BEARPARK

18 December 1986

PRIME MINISTER

SCRUTINY OF AGENCY BENEFITS

You will recall that at your meeting last month, Sir Robin Ibbs expressed concern about the lack of progress in implementing the Scrutiny Team's report on "agency benefits". Agency benefits are charges for NHS services, including prescriptions, dental and optical treatment, wigs, etc. The essence of the scrutiny team's recommendation was that only those really "in need" should receive exemption from the prescription, etc., charges.

The DHSS letter at Flag A explains why they were not attracted by the Scrutiny Team's proposals. DHSS Ministers believe that the proposals would not be consistent with your commitment in the 1983 election campaign on prescription charges*. The Department are particularly wary about raising this sensitive issue in the run up to a General Election.

The DHSS approach is:

- to look urgently at ways of simplifying low income exemption schemes which are consistent with previous ministerial commitments.
- to aim at achieving the administrative savings by April 1988 through the centralisation of the work.
- to expect that this centralisation would reduce the scope for abuse.

---

*e.g. You said at Questions on 10 May 1983: The right hon. Gentleman is not correct. If he looks at the full quotation from the press conference he will find a sentence, which I well remember delivering, to the effect that no responsible Government could ever promise not to increase prescription charges. I repeat that now. The important thing is that the exemptions remain.

Understandably, Sir Robin Ibbs' Efficiency Unit in their minute at Flag B would like faster progress in rationalising the chaotic arrangements for exemptions from prescription, etc., charges. They say that the arguments for reform in the longer term are strong because:

- evidence that the help is getting to people who do not need it (only 27 per cent of people getting prescriptions pay charges)

- rules which are expensive for DHSS to administer and difficult for people to understand

- scope for abuse

Although I sympathise with the Efficiency Unit's wish for greater urgency, I believe the Department is right to tread warily. The political priority is to get through the next Election without awkward commitments on retaining present exemptions so that the Government would have greater freedom for manoeuvre in the next Parliament.

In these circumstances I suggest that you should endorse the DHSS approach and urge that nothing should be said which would inhibit the possibility of longer term reform. Agree?

N. L. Wicks
17 December 1986

LO4AIH

D. Weekend Box
CC/87

Prime Minister

The papers on progress in Great Britain are also in this box. You may wish to glance at this report on progress in Northern Ireland.

RSB 18/12

Prime Minister,

CAPITAL EXPENDITURE CONTRACTS

1. You have received a report on the progress made by Great Britain Departments in implementing Sir Robin Ibbs' recommendations to improve performance in managing major capital projects. The attached note deals with the implementation of that initiative in Northern Ireland.

2. In summary:-

   (a) the main thrust and principles of the initiative are equally valid and desirable in Northern Ireland as in Great Britain;

   (b) differences of scale and of circumstance mean that there is a different (and in some respects more favourable) starting point in Northern Ireland;

   (c) some of the further developments currently being taken forward in Great Britain seem likely to be very useful in helping to resolve some specific points of difficulty in Northern Ireland Departments; and

   (d) several specific areas have been identified on which our efforts will be concentrated over the next 12 months.

3. As the report indicates, work to date has been primarily concerned with reviewing the existing position and identifying the weaknesses which have to be corrected. Our Central Unit on Purchasing, for which professional staff are being recruited, will be pursuing matters where the need for action has been pinpointed, more particularly as regards the development of project managers and project sponsors.

4. I am copying this to Sir Robin Ibbs.

TK
17 December 1986.

GBC

CAPITAL PROJECTS INITIATIVE IN NORTHERN IRELAND

1. This paper reports the progress made in implementing the recommendations in Sir Robin Ibbs' memorandum of 11 November 1985.

Recommendation (1): Ownership

2. Each of the Northern Ireland Departments already has full ownership and responsibility for its own capital projects. They are free to decide to oversee and implement these projects using their own in-house resources; or to use the Department of the Environment (NI) as an agent; or to use private firms as agents. Examples of all three practices can be found. The Department of Health and Social Services has full ownership and responsibility for major Health Service projects which it exercises through its own group of specialist staff.

3. Where the Department of the Environment (NI) acts as agent the working relationship is a close one, but the role of the sponsoring Department is clearly that of principal and the sponsor retains full Vote and accounting responsibility for the project.

4. The main constraint on the further development of the sponsoring Department's role is one of scale. The larger Departments, where the capital programme is large enough to support a viable nucleus of project management and technical skills, are better geared to discharge an independent project management role than are the smaller Departments. The latter tend to be more dependent on the services of the Department of the Environment (NI), less able to exercise a challenge role in this regard, and less experienced in the use and management of private sector consultants. (See paragraphs 6 to 8 below.)

5. The arrangements for office accommodation in Northern Ireland are distinctive. Ownership of and financial (including accounting) responsibility for all office accommodation is vested in the Department of the Environment (NI). This centralised control of office accommodation has been retained because of the number of shared offices which exist and the

relatively small size of the overall office accommodation requirements. These funding and control arrangements are currently under review, and this will include consideration of the possible advantages of introducing a repayment system.

Recommendation (2): Project Managers

6. The need for clarification and development of the roles of project managers and of project sponsors is acknowledged in the Northern Ireland Departments as in GB. As noted in paragraph 4 above, one of the main problems is that of scale. In the smaller Departments the project managers for individual projects are often drawn from the Works Service of the Department of the Environment (NI) on a repayment basis. This can give rise to actual or perceived conflicts of priorities which in turn can tend to blur the principal/agent relationship.

7. The main areas in which action is being taken are:-

   (a) We are examining ways of increasing the number of project managers available (chiefly in the Department of the Environment (NI)) and to broaden the professional base for which they are drawn.

   (b) The recommendations of the recent MPO Working Group on the recruitment and development of project staff are being studied.

8. The project sponsor role is less well developed, and - as in GB - a programme of training may be necessary. We will look closely at the training programme which is being drawn up in GB, but some specific tailoring to our needs - especially in view of the differences of scale - may well be necessary. One particular area at which we will be looking further in the next phase is the need to raise the level and profile of project sponsors in the Northern Ireland Departments, and correspondingly to get away from the tendency to treat sponsorship as a liaison function at middle management level rather than as a controlling function at senior management level.

Recommendation (3): Approval

9. In central government approval is required for all capital projects but the "approving authority" will vary depending on the nature and scale of the project and the level of delegation. The "approving authority" could, for example, be a finance division, a Departmental Minister or the Department of Finance and Personnel (DFP).

10. DFP has reviewed the guidelines for Departmental approvals, and will issue revised guidance which will consolidate and clarify the principles which should be followed. The revised guidelines will aim:-

(a) to ensure that the approving authorities have an early opportunity to influence choices, normally through the submission of a feasibility study for approval;

(b) to reinforce the need for each major capital project to be subjected to a proper investment appraisal;

(c) to emphasise the need at all approval stages for a clear statement from the project sponsor of the status and progress of the project (eg percentage of design complete) and the accuracy of the estimates of cost and time;

(d) to ensure the specification by the approving authority at each approval stage of parameters and conditions under which the project should be submitted for approval;

(e) to ensure that the approving authority should receive, before commitment, an updated appraisal of the project including proposed monitoring arrangements; and

(f) no firm commitment to be given by the approving authority until the costs and the timetable for the project are well established.

Recommendation (4): Performance Monitoring

11. Departments' existing monitoring arrangements are generally satisfactory within the limits of their current management information systems. These take the form of both regular and ad hoc reports which monitor costs, time and contractors' performance. These existing systems have proved adequate for the purpose of identifying broad performance information. We will, however, continue to monitor the adequacy of these systems and to develop them in parallel with the Treasury and with CUP.

12. The Department of the Environment (NI) is currently further developing its management information system which is to be computerised and which will provide more comprehensive and timely information on all projects for DOE(NI) and its clients.

Future Developments

13. Work to date has concentrated on a review of the existing arrangements, including their strengths and weaknesses; and identification of steps to correct these weaknesses. In addition we have established a Central Unit on Purchasing (Northern Ireland) and professional staff are being recruited. This Unit will have the lead responsiblity for taking forward the capital projects initiative over the next 12 months. This will include the specific steps noted above in regard to the development of project managers and project sponsors, and will also extend - in the context of its work on procurement generally -to a wider appraisal of existing contracts procedures and manuals.

Department of Finance & Personnel

November 1986

GOU Mach : Rayner PT22.

Prime Minister. 1 Weekend Box B

The main points are in paragraph 25 of the white section of the report. Agree to write as proposed and to ask about the Home Office reserves? DBR 17/12

PRIME MINISTER 15 December 1986

Robin Ibbs comments are also attached pgs 19/2

MAJOR CAPITAL CONTRACTS

Peter Brooke's memorandum attaches an interesting report on progress since the Efficiency Unit review and we support the conclusion that progress is being made.

It is important to press forward with the various steps necessary to encourage 'ownership' of contracts by each department concerned, so that responsibility for monitoring the progress of each contract may be clearly assigned. The report of the inter-departmental group of officials is to be submitted by the end of the year. It will need careful study and appropriate action.

The appendices for individual departments show some areas where departments might well pursue their own project management initiatives with vigour. Three examples are:

Being pursued separately

Arts and Libraries are now engaged in reviewing the division of management responsibilities and powers for the St Pancras Library project.

You could ask where things stand

MOD have been discussing developing further liaison arrangements with the PSA since June 1985. (Report expected by the end of the year.)

The arrangements for performance monitoring are reported to be on an annual return basis. A more frequent monitoring system has to be introduced if timely action is to be taken.

You could question the wisdom of this.

The Home Office has two principals and two SEO's responsible for 500 prison internal works schemes and 15 new prison projects with a total estimated cost of £1.2 billion and 'in the circumstances it is not possible for staff to exercise the degree of personal accountability and responsibility that would be fully consistent with the Ibbs

recommendations'. It is dangerous to leave such a level of expenditure inadequately supervised.

They have quarterly meetings on prison building projects. In view of the size and complication of these, they might well be held more frequently, say monthly.

The Department of Transport and DHSS do not depend on the PSA for work and have therefore been more successful than others in developing control of contracts, not having to cross departmental boundaries.

Recommendation

We recommend that you should welcome the report and, as requested by Peter Brooke, underline the urgency of decisions on the 'ownership' relationship being transferred from the PSA to departments and the possible 'untying' of the PSA.

You might care to stress the importance of controlling capital contracts and urge departments to deal promptly with any shortcomings in their own control procedures.

David Hobson

DAVID HOBSON

js/43370

C.C.
CC BG

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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

Telephone 01-407 5522

From the Joint Parliamentary Under Secretary of State

Dr Rhodes Boyson MP
Minister for Local Government
Department of the Environment
Marsham Street
LONDON SW1P 3EB

NSM

12 DEC 1986

Dear Rhodes,

At 19 Report in folder.

I wrote to William Waldegrave on 21 October last year, copying my letter to colleagues, about the Efficiency Scrutiny Report on the Registration Service. The report was published on 24 October 1985 when it was made clear that the Government were not committed to any of the recommendations. There then followed a period of consultation and representation.

The consultation produced considerable opposition to the introduction of loose leaf registers (recommendations 17, 34 and 39) and to the closure of the central searching and certificate issuing facility (recommendation 13). I am satisfied that these recommendations should be rejected. Recording the NHS number of death certificates is also impracticable because the number is not widely used in hospitals.

You may recall that in my earlier letter I explained that to operate many of the recommendations made in the report would require changes to primary legislation. Douglas Hogg sees no prospect in this Parliament of changing primary legislation relating to marriage law and Norman Fowler holds a similar view in respect of those other aspects of the report requiring legislative change. This will come as unwelcome news to many of the local authorities and their associations, but further delay in telling them the position will only make matters worse.

Recommendations 2 and 3, relating to the creation of a single office in each registration district for dealing with both registrations and marriages and reducing the number of outstations, were opposed by the majority of local authorities and by groups representing rural communities. I have decided that it should be left to each local authority to decide whether to implement this proposal. To what extent we encourage local authorities to close offices is

E.R.

a sensitive issue and we need to play gently how far we press them in this respect. Certainly it will need to be made clear to the local authorities that in any review of their local registration arrangements they must ensure that adequate facilities remain available for the public to carry out their statutory registration obligations. Any formal office closures could only be effected by amending the local registration schemes which require the approval of the Secretary of State for Social Services or the Secretary of State for Wales.

I propose to announce our decision through a PQ, writing at the same time to the local authority associations. I am enclosing a copy of the proposed question and answer and I would be grateful for any comments from colleagues by 15 January 1987 as I intend that the announcement should be made early in the New Year.

I have asked the Registrar General to pursue all the remaining recommendations in consultation with other departments, local authorities and staff interests, and to report progress to me by Easter.

I am copying this letter to The Prime Minister, Quintin Hailsham, John MacKay, Nicholas Edwards, David Young, John MacGregor, Tom King, Douglas Hogg and Sir Robin Ibbs.

THE BARONESS TRUMPINGTON

(B)

PROPOSED PARLIAMENTARY QUESTION

Q To ask Her Majesty's Government whether they will make a statement as to the present position on recommendations made in the scrutiny report on the Registration Service.

A Following my announcement of publication of the report on 24 October 1985 (Official Report, vol 467, col 1374) I received over 350 responses to my invitation to comment on the recommendations. The views expressed were most valuable and I am grateful to those who commented.

In the light of those consultations we have rejected the proposals to close the Central Searching and Certificate issuing facility, to introduce loose leaf registers, and to record the NHS number on the medical certificate of cause of death.

Many of the recommendations require primary legislation, including those on responsibility for the service, the creation of a single job of Registrar dealing with marriages, birth and death registrations, and the great majority of those on procedures. Those recommendations affecting marriage law would moreover require amendment to the Marriage Acts. We have concluded that it will not be possible to legislate during this Parliament.

There is however no such obstacle to implementing the rest of the recommendations, covering local organisation of the service, staffing and pay, new technology, certain general procedures and finance. I have asked the Registrar General to pursue these recommendations, in consultation with other interested parties, including the staff interests where appropriate.

Close consultation and liaison with local authority interests will be essential. Some recommendations will be suitable for early implementation; others will require further study and piloting. //P The number of local registration offices is of course a matter for local authorities, and it will be for them to decide what action to take on those recommendations. However I stress that any reorganisation of the local registration arrangements must take account of local demand for the service and must ensure adequate facilities are available and accessible for the public to carry out their registration obligations.

GOVT MACH: Rayner: PE22.

MR WICKS

SCRUTINY OF AGENCY BENEFITS

Thank you for your note of 9 December and the DHSS report.

2. The policy commitment referred to by the DHSS is the Prime Minister's commitment in 1983 not to change prescription charge exemptions. The scrutiny does recommend some changes at the margin, together with overhaul of the present extremely complicated scheme for low income families.

3. It is essentially a political judgment whether to tackle the issue this side of a general election. The arguments for doing something in the longer term are, however, strong:

- evidence that the help is getting to people who do not need it (only 27% of people getting prescriptions pay charges)

- rules which are expensive for DHSS to administer and difficult for people to understand

- scope for abuse

4. The fact that you asked for a report has already been helpful in showing DHSS that this is an issue which has to be tackled. If the Prime Minister agrees, it would reinforce that if you could reply along these lines:

(a) if Ministers reject recommendations it is important to work out alternative solutions to the problems identified. You note that urgent reviews of the low income scheme and of ways of reducing abuse are taking place.

(b) You would like to hear the results of these reviews by mid-February and the estimated savings arising from them.

(c) The present arrangements look extremely complicated; the new arrangements should be as simple as possible.

If the Prime Minister wants to signal that she would be prepared in the longer term to contemplate changes to exemption rules, you could say:

(d) In any longer term and wider look at present policies, there will continue to be a need to protect those (and only those) who cannot afford to pay.

KATE JENKINS
11 December 1986

AJ5/AGBE1211

GOATFACH : Range Pt 22

CC BG

Prime Minister

You saw this report the other day. Robin Ibbs has now added a further comment - he originally just said that he was content.

Content to endorse this ?

PRIME MINISTER

CONSULTANCY, INSPECTION AND REVIEW SERVICES - JMU'S SECOND IMPLEMENTATION REPORT

Yes PBS 17/12

I have seen the minute to you from John MacGregor covering the second report by the Joint Management Unit on the implementation of the Consultancy, Inspection and Review Services (CIR) Report.

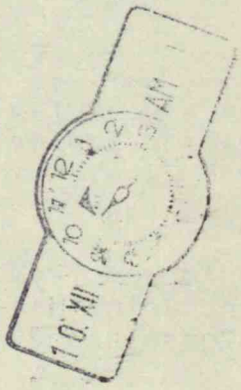
What is needed now is more results. I agree with the emphasis given to this by John MacGregor in the third paragraph of his minute. I also agree with the statement in his penultimate paragraph that good examples of substantial improvements in the management of programmes and administrative expenditure will be wanted from Departments next October. A clear message to this effect needs to go to Departments now as the outcome of this report.

I am copying this minute to John MacGregor and Richard Luce.

ROBIN IBBS
9 December 1986

Richard Hurst

GOVT. MACH: Rayne: Pt 22



FILE
DA

10 DOWNING STREET

From the Principal Private Secretary

MISS JENKINS
EFFICIENCY UNIT

SCRUTINY OF AGENCY BENEFITS

Before I submit the DHSS letter of 8 December to the Prime Minister, I should be grateful to know whether you have any comments on what they say.

Please could you let me know your views by 1230 on Friday.

(N.L. WICKS)

9 December 1986

CGB

FROM: Minister of State

DATE: 8 December 1986

PRIME MINISTER

MAJOR CAPITAL CONTRACTS

FLAP PT 19

In November last year you approved four recommendations by Sir Robin Ibbs on action to improve departments' performance in managing capital projects, and reduce time and cost overruns. You asked Sir Robert Armstrong and Sir Peter Middleton to ensure that the recommendations were implemented speedily, and to report in a year's time on the progress that had been made.

IN FOLDER

2. I attach the progress report which describes the action taken both by individual departments and centrally by the Treasury, Cabinet Office (MPO) and Central Unit on Purchasing (CUP). The main points are summarised in paragraphs 25 and 26 on page 9. Richard Luce and I consider that it shows good progress in the past year on all four points.

3. On the key recommendation that the department for which work is being done should "own" the project, the transfer of PES responsibility for most office buildings from PSA to the occupying departments will be an important step forward. The Treasury study on best practice in the private sector and government recommended that we go further and give departments full financial responsibility, including accountability for in-year expenditure and freedom to use agencies other than the PSA. A report on this by an interdepartmental group of officials will be submitted by the end of the year.

4. On the other recommendations, the Treasury have set up arrangements for Ministerial approval of very large projects (normally those over £25 million), to supplement the existing arrangements for Treasury approval. The Cabinet Office (MPO) have circulated guidance to departments on the recruitment, career development, training, pay and grading of project managers. The CUP are helping

departments to develop effective monitoring and control systems for projects in progress; and the Treasury and CUP have set up a new system of annual reports on completed projects. This will be used by the Treasury to check on whether any further steps are required to improve performance.

5. Apart from these general points, individual departments have reported on the steps they have taken to implement the four recommendations and improve their performance. The reports by the departments mainly concerned are in the appendices to the progress report; and highlights from them, relevant to the four recommendations, are included in paragraphs 9, 15, 19 and 24 respectively of the main report.

6. In my view, which I know John MacGregor strongly shares, the outstanding issue which is crucial to future progress is the question of payment and untying for PSA services, on which we are shortly to receive the report by the official group I mention in paragraph 3 above. Ministerial decisions will need to be taken on this early next year so that changes can be effected by April 1988, and so as to provide a clear framework for further action in departments and the PSA. It would be helpful if your response to the attached progress report could underline the importance of early decisions on this question.

7. I am copying this minute to Richard Luce, and to Sir Robert Armstrong and Sir Robin Ibbs.

P.B.

PETER BROOKE

GOLTMACH

RAYNER

P122

A

cc. Efficiency Unit
CCDW

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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

Telephone 01-407 5522

From the Secretary of State for Social Services

N L Wicks Esq CBE
Principal Private Secretary
10 Downing Street

8 December 1986

Dear Nigel,

SCRUTINY OF AGENCY BENEFITS

Thank you for your letter of 6 November about the efficiency scrutiny on agency benefits.

The "agency benefit" schemes are intended to ensure that health charges can be set at realistic levels by providing that those on low incomes can claim exemption or remission from them. The charges covered include prescriptions, dental and optical treatment, wigs and fabric supports and expenses of patients travelling to hospitals. People may receive these reliefs in one of three main ways:

- they may be exempt because of their condition or status (for example, pregnant women and pensioners);
- they may be passported, through receipt of supplementary benefit or family income supplement (FIS); or
- they may satisfy the conditions of the separate low income scheme.

The scrutiny was concerned predominantly with the last of these, the separate low income scheme, but some of the recommendations would also affect the other groups.

I have set out in the Annex the details of the main components of the savings recommended by the scrutiny report. The greater part, some £11 million in benefit and administration costs, required major policy changes, including the ending of entitlement to relief from prescription charges under the low income scheme and the ending of refunds to people on low incomes who had paid charges.

E.R.

Ministers considered these recommendations carefully but concluded that they created inconsistencies between beneficiaries and raised significant policy issues. In defending increases in prescription and other charges, Ministers have consistently stressed that the charges are only payable by people who can afford them. The charges proposed would have cast serious doubt on this commitment. They would also be controversial and might prejudice the prospect of any wider changes in charging policy which could lead to greater savings whilst protecting those unable to pay. Ministers therefore decided not to proceed with these specific proposals. We are, however, looking urgently at ways of simplifying the low income scheme and of equitably restricting some refunds, thereby making savings whilst retaining consistency with the commitments Ministers have given.

The major administrative savings would result from the recommended centralisation of this work, which is undoubtedly done badly in local offices at present. The recommendation to centralise it has been accepted. We are aiming to achieve this by April 1988 and we anticipate that the consequential savings estimated in the report will be achieved.

The third major area addressed by the report was abuse and fraud. The scrutiny estimated that £6 million might be saved if chemists, opticians and dentists were asked to check an entitlement card. The report recognised that this would be a relatively long-term goal. We are currently checking the accuracy of the estimate and investigating whether particular problems can be identified but we intend to take whatever steps are necessary to minimise or eradicate abuse. However, we are not yet convinced that the specific scrutiny recommendation is necessarily the best way of doing it; there are real concerns that plastic cards could actually worsen the problem (a black market could develop). Chemists, opticians and dentists might also expect this additional duty to be taken into account in their pay negotiations, reducing or even eliminating the anticipated savings. The immediate action, therefore, is to use the April 1988 centralisation to tighten up procedures and thus cut back on the scope for abuse in this area.

Yours

A Laurance
Private Secretary

GOVT MACH Rayner PT22

SCRUTINY OF AGENCY BENEFITS - MAIN RECOMMENDED SAVINGS

General

1. The main components of the recommended savings are:

		£
benefit savings	-	5.8m
reduction in refunds	-	2.6m
reduction in abuse	-	8.0m
administration savings	-	5.3m
Total	-	21.7m

2. These are net savings and each figure is a result of the interaction of a number of recommendations.

3. An adjustment is necessary to these costings, however, which reduces both benefit and abuse savings. The scrutineers concluded that, because they were recommending a general 6 month period of entitlement for low income recipients, that this would mean the 12 month entitlement period for family income supplement (FIS) would be reduced to 6 months and it was likely that 50 per cent of recipients would not be eligible on renewal at 6 months because of changes in circumstance, there would be a £1.6 million benefit saving and a £2 million saving in abuse. They overlooked in this context the fact that the family credit load from April 1988 is expected to be about double the FIS load and the period of entitlement will be in any event 6 months. This offsets their estimated savings and reduces the recommended savings to:

		£
benefit savings	-	4.2m
reduction in refunds	-	2.6m
reduction in abuse	-	6.0m
administration savings	-	5.3m
Total	-	18.1m

Savings

4. The main savings are achieved as follows:

a. Benefit savings. A gross saving of £4.4 million would be achieved by the proposed policy change to exclude exemption from prescription and hosiery charges from the low income scheme. This would mean that people with incomes just outside supplementary benefit levels would lose their present exemption and would have to pay such charges in full. This could bring their income below supplementary benefit levels. People not able to claim supplementary benefit or FIS but whose incomes are below those levels would also lose.

b. Abolition of refunds. This would also require a major change of current policy. The passport beneficiaries (supplementary benefit and FIS recipients) would not receive refunds of prescription charges at all and refunds would be made for the other benefits only where emergency treatment was involved. This would save £1 million on prescription refunds and £1.6 million on the other benefits.

c. Reduction in abuse. Savings of £6 million were estimated by requiring chemists, dentists and opticians to check an entitlement card. At present, potential recipients have to tick a box on the back of the prescription, dental form, etc, to indicate that they are covered either by the passport arrangements or one of the general exemption categories.

The "healthcard" idea, the issue of a plastic card which received some press publicity and gave the scrutiny report its title, may not be essential in order to achieve this objective. Inserts in order books and authorised certificates of entitlement are issued at present and there is concern that plastic cards would be expensive to issue and maintain, and might indeed lead to an extension of, not a reduction in, abuse. A management study is being carried out into their feasibility in this context and of other means of identification.

d. Administration. The major administration savings result from excluding prescription and hosiery charges from the low income scheme (£3.9 million) and from centralisation (£0.7 million).

Timing of savings

5. The report recognised that some changes will in any event be necessary because of the introduction in April 1988 of the new social security structure and it would be sensible to introduce any other changes at the same time. Plans are also being made to implement from the same date a major recommendation of the report, that the low income scheme should be taken out of DHSS local offices and centralised. Savings will begin to accrue, therefore, from April 1988.

GOVT. MACH: Rayner: Pt 22

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 December 1986

CONSULTANCY, INSPECTION AND REVIEW SERVICES (CIR) JMU's SECOND IMPLEMENTATION REPORT

The Prime Minister has seen the Chief Secretary's minute of 1 December, with the attached report. She has noted the contents of this.

I am copying this letter to Trevor Woolley (Cabinet Office) and Sir Robin Ibbs.

P. A. BEARPARK

Ms. Jill Rutter,
Chief Secretary's Office

Prime Minister [2]

The summary only is worth a very quick glance. Sir Robin Ibbs/Policy Unit are content.

PRIME MINISTER 3/12.

CCBG letter only.

cc PPS/PSU

PSJ

FLAP / PT 20

FROM: CHIEF SECRETARY
DATE: 1 December 1986

CONSULTANCY, INSPECTION AND REVIEW SERVICES (CIR) JMU's SECOND IMPLEMENTATION REPORT

MT in folder attrear.

I attach, on behalf of Richard Luce and myself, the second report by the Joint Management Unit on the implementation of the Efficiency Unit's Consultancy, Inspection and Review Services (CIR) Report. I also attach a summary for you by the JMU, which sets out briefly the progress made in the 21 months since the original report.

You will remember that last year I set out the yardsticks by which I was proposing to judge departments' progress, and the JMU's report is built around those yardsticks. On the whole, the picture is reasonably encouraging in most departments, with CIR staff better co-ordinated, more responsive to the needs of line managers, and working hard to produce better indicators of their own performance; and with line managers being actively encouraged to seek better value for money, and doing so.

The main points arising from this report which need to be pressed home are:

- up to now we have, necessarily, been concentrating on getting the systems right. From now on we will be looking for the results from the improved systems;

- the top management of departments needs to remind line managers explicitly of their primary responsibility for getting better value for money. Developing budgeting is important, but relying on the system is not enough. And the message needs regular reinforcing;

- top management should be actively directing and focusing the CIR work done for them;

- line managers increasingly need some basic CIR skills to enable them to manage effectively. Their training should include some of the basic assignment skills.

Budgetary control systems are, of course, crucial to the developing CIR arrangements. As you know, we are currently following up the recommendations in the multi-department review of budgeting. Departments' action plans are starting to come in, and it looks as if, while departments still have a lot to do, the report has had the hoped-for effect of stimulating them to make a significant further push.

The CIR task is not yet complete. We agree with the proposal to integrate further work on it with the follow up to the MDR of budgeting. This will enable us to keep up the pressure on departments to move further towards the concept of co-ordinated CIR services, working to help line managements and top management achieve better value for money. We shall want to have from departments next October their best examples of real, substantial improvements in the management of programmes and administrative expenditure. From now on seeing these coming through will be the real test.

I am copying this minute to Richard Luce and Robin Ibbs.

JM

JOHN MacGREGOR

CONSULTANCY, INSPECTION AND REVIEW SERVICES IN GOVERNMENT DEPARTMENTS

Second Report by the Joint Management Unit on the Implementation of the Efficiency Unit's Report

October 1986

CONSULTANCY, INSPECTION AND REVIEW SERVICES IN GOVERNMENT DEPARTMENTS

SECOND REPORT TO MINISTERS ON DEPARTMENTAL PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS OF THE CONSULTANCY, INSPECTION AND REVIEW SERVICES REPORT

OCTOBER 1986

CONSULTANCY, INSPECTION AND REVIEW SERVICES

SECOND REPORT TO MINISTERS

CONTENTS

CHAPTER		PAGE
1	Introduction and Summary	1
2	Progress in Departments	4
3	Central CIR Services	10
4	Next Steps	12
ANNEX A	Recommendations of the Efficiency Unit's Report	
ANNEX B	Summary of the first JMU report	
ANNEX C	Departments Progress	
GLOSSARY OF TERMS		

SECOND REPORT TO MINISTERS ON DEPARTMENTAL PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS OF THE CONSULTANCY, INSPECTION AND REVIEW SERVICES REPORT

CHAPTER 1 Introduction and Summary

Introduction

1.1 This is the second progress report by the Treasury/Cabinet Office Joint Management Unit (JMU) on the implementation of the recommendations of the Efficiency Unit's report on Consultancy, Inspection and Review (CIR) Services in Government Departments. Annex A sets out the recommendations of the Efficiency Unit's report; and Annex B reproduces the summary of the JMU's first progress report in October 1985.

1.2 In approving the report, the Chief Secretary to the Treasury and the Minister of State, Privy Council Office set out the yardsticks by which departments' further progress would be judged. The yardsticks were:-

A in each department

(1) A clear message to line managers, with the Permanent Secretary's authority, that they are primarily responsible for improving value for the money they control;

(2) evidence that line managers are initiating and demonstrating improvements in value for money;

(3) examples of the extent to which CIR assistance is sought by and effectively given to line managers to improve value for money;

(4) quantification of the costs and benefits of all CIR assignments and checks that the benefits claimed are being realised in practice;

(5) better direction and focussing of CIR services by top management (this is possibly the single most important result to be looked for in the coming year); some multi-disciplinary work;

(6) succession plans in place to ensure that senior CIR staff have real line management experience;

(7) plans for CIR skills to be taught to line managers;

B in some departments

(8) Treasury/Cabinet Office (MPO) guidance issued about performance indicators for staff inspection and management service;

(9) one or two departments at least using CIR forces to help managers improve budget disciplines.

All departments have now responded, and the JMU has discussed the response with each department.

1.3 Chapter 2 of this report deals with the progress made by Departments; and Chapter 3 sets out developments in the centre. Chapter 4 discusses the next steps.

Summary of Where We are Now

1.4 Overall, the picture is a reasonably encouraging one in most departments. More attention is being given to ensuring that the CIR services are used to the best possible effect. The improvements in organisational arrangements and in co-ordination reported last year have been maintained and in some cases further improvements have been made. Publicity for the CIR services is much better than it was. Departments have made considerable efforts to quantify the costs and benefits of assignments, and some have been conducting post-implementation checks of whether the expected benefits have been achieved. CIR training is being widened in scope, both in departments and by the Civil Service College.

1.5 Most departments have done some multi-disciplinary assignments. Some joint assignments - particularly combinations of O&M and IT, O&M and Staff Inspection, OR and O&M, OR and Staff Inspection - have worked especially well. It seems to have been less easy to combine Internal Audit with Staff Inspection, mainly because of the different methods of working and of their different roles. Despite this, there have been a few such joint assignments; and numerous instances of "sequential" assignments (one CIR service identifying for another CIR service an issue which can better be dealt with by their particular skills).

1.6 In many more cases than previously, top management is seeing the work programmes of the CIR services. Many assignments are done at the direction of top management. There is no evidence, however, of wholesale intervention by top management in the CIR programmes.

1.7 The area where there has been little change is in succession planning. All departments accept the need to fill CIR posts with people who have had line management experience: few of them have made formal succession plans.

1.8 Guidance on output measures and performance indicators for Management Services and Staff Inspection work is now being issued. And, within the central departments, there is now better co-ordination of the central CIR staffs' work programmes.

1.9 Two further developments are due next year. The Treasury will be reviewing its guidance on Staff Inspection, to take account of practical experience of the working of the current guidance, which was issued, in the wake of the Efficiency Unit's CIR report, in January 1985. And departments are due to review their organisational arrangements for Internal Audit. (Recommendation 3 of the Efficiency Unit's report). The Treasury will be in touch with them about this early in 1987.

Next Steps

1.10 Although good progress has been made, and is being reinforced by further work on improving departments' budgeting systems, the task of implementing the CIR report is not fully completed. We suggest that departments should say, in their October 1987 progress reports on budgeting,

- what top management has done to focus better the work of their CIR services
- what further multi-disciplinary assignments have been done, and with what results
- what further training in CIR skills they have given their line managers, and what experience they have of managers putting those skills into practice
- the outcome of their reviews of the organisational arrangements for Internal Audit.

The JMU will need to report on

- the review of the Treasury's Staff Inspection guidelines
- how effective the arrangements for co-ordinating the work of the central CIR services have been.

We will aim to cover the further progress made in all these areas, in the December 1987 progress report on budgeting.

CHAPTER 2 Progress in Departments

2.1 Annex C summarises each department's progress as reported against Ministers' yardsticks. This chapter comments on the main points which have emerged from departments' responses and further discussions.

1. A clear message to line managers, with the Permanent Secretary's authority, that they are primarily responsible for improving value for the money they control.

2.2 In more than a third of departments, top management has issued the message explicitly using a variety of methods. Particularly good examples include:

- Ministry of Agriculture, Fisheries and Food (MAFF), where the Minister signed a letter to all managers in the department emphasising the need for managers to understand clearly their objectives and whether they were being achieved, and their responsibility for value for money.

- Department of Employment (DE), whose guide to CIR services includes an introduction by the Permanent Secretary stating that the primary responsibility for value for money lies with line management.

- Foreign and Commonwealth Office (FCO), which issued a booklet "Government Finance - what the FCO officer needs to know".

- Scottish Office, where the Permanent Secretary and DTI, where the Secretary of State, both used video to get the message over.

- Inland Revenue, with the Chairman's Newletter.

- Department of Energy, whose Permanent Secretary interviewed each Head of Division.

The majority consider that they are conveying the message by their actions in setting up and operating line management budgeting. A small minority of departments remain reluctant to convey this message either directly or through the operation of budgetary control systems.

2.3 In our view it is desirable to use both the developing budgetary control and explicit statements by top management to ensure that managers accept that they are responsible for the whole job of managing, including managing resources so as to get best value for money. The evidence, including that found in the Multi-Departmental Review of Budgeting, and the experience of the HMSO trading fund, is that managers do become more cost-conscious, and value for money conscious, once they are responsible for managing budgets. But a statement from top management will reinforce this development and we would encourage all departments which have not already done so to convey the message in explicit terms, and to continue doing so whenever the opportunity occurs.

2. Evidence that line managers are initiating and demonstrating improvements in value for money.

2.4 All departments have provided examples of improved value for money generated by managers. In discussion with departments, it has become obvious that it is not easy (and many consider that it is not particularly useful) to separate improvements made in pursuance of top management's value for money targets, those made by implementing recommendations by the CIR services, those made because of the tightness of running costs limits, and those made by line managers simply out of cost-consciousness. There are, nevertheless, a number of excellent examples of line managers achieving improvements, not because they were being chivvied to do so, but simply because they saw a way of doing something better, or for less cost, and did it. The examples quoted below could no doubt be matched by a number of other departments; but they show the range of improvements, undramatic but worthwhile, which line managers are making.

- DEmployment, among numerous other examples, have made more use of official vehicles where the mileage involved justifies their use and produces travel and subsistence savings. Shopping around for best deals has also produced significantly larger discounts on car purchase than those normally on offer by approved suppliers.

- Department of Energy have started charging for press notices to commercial non-media organisations.

- Cadw, the Historic Monuments Division of the Welsh Office, has successfully concluded management agreements with local landowners enabling revenue to be secured from various monuments which do not justify a directly employed custodian.

- Forestry Commission operations achieved a 10% increase in productivity in 1985-86.

- GCHQ computer area restructured its shift working.

- DTp where managers at HEO and EO level in the Scottish Traffic area initiated a computer based system for monitoring the effectiveness of traffic examiners in the area.

- DHSS gave a number of examples, including repairing instead of replacing furniture, and the installation of water meters..

- Inland Revenue's examples included steam-cleaning and rebinding, (instead of retyping) valuation lists and substantial savings on furniture, accommodation and car parking through local initiatives.

- MSC's Skillcentres have hired out conference rooms.

- MAFF have contracted out overseas travel bookings.

- PGO line managers initiated the reorganisation of workloads.

3. Examples of the extent to which CIR assistance is sought by and effectively given to line managers to improve value for money.

2.5 Departments have made good progress in ensuring that line managers are aware of the CIR services available to them. DE, DHSS and Inland Revenue have produced particularly professional booklets, and most other departments have also considerably improved their marketing of CIR services.

2.6 About half of all departments were able to give good examples of line managers taking the initiative to seek CIR help. Some departments (for example the Department of the Environment (DOE) and Department of Trade and Industry (DTI)) reported a very substantial increase in the number of requests by line managers for assistance. Specific examples from other departments include:-

- Cabinet Office (MPO): the Civil Service Commission sought advice from Internal Audit on a more cost-effective system of charging non-Exchequer bodies.

- DE: the Unemployment Benefit Service sought a work measurement exercise applied to Regional Adjudication Sections.

- DEn: The Coal Division asked for a staff inspection to help them with an organisational problem.

- DTI: examples include a study of the Regional Development Grants Scheme; a request to review outstations; and advice on merging sections.

As will be seen from Annex A, a number of the examples are in the areas where line management would naturally seek help anyway, including IT. And some come from very senior line management.

4. Quantification of the costs and benefits of all CIR assignments and checks that the benefits claimed are being realised in practice.

2.7 Departments have made considerable efforts to improve their quantification of costs and benefits of assignments. More than a third demonstrated that they were doing so for all assignments and also checking up subsequently that the expected benefits from assignments were coming through in practice. Most of the rest were quantifying at least the costs of assignments and checking on implementation. Not all benefits of assignments are readily quantifiable in cash terms; but departments are experimenting with various ways of dealing with this:-

- for DOE and DTp the Common Management Services conduct a post-implementation review one year after every assignment; and for IT projects the client's Action Plan for implementation includes an evaluation of the benefits which will be achieved, and the timescale for effecting them.

- in both the DTI and the Home Office, the costs and potential benefits are discussed with the line manager before assignments; and assignment reports contain proposed implementation timetables.

- the Treasury Internal Audit is developing volume measures to monitor its own efficiency.

- HMSO evaluate savings for each recommendation, incorporate an action plan in the report and agree the action manager(s) with the client. Action managers report progress with implementation after 12 months, and results are summarised in an annual report to the Management Group.

- Ministry of Defence (MOD) has built up a database for all assignments, showing studies done, recommendations made and recommendations implemented, including quantification of benefits. They are using the database to monitor progress, chase reports, and check on implementation.

5. Better direction and focussing of CIR services by top management; and some multi-disciplinary work.

2.8 There are, in effect, two separate but related yardsticks here: first better direction and focussing by top management; and secondly, multi-disciplinary work.

2.9 The most effective use of CIR by top management occurs when the CIR programmes are looked at together and as an integral part of the department's planning process, as happens in DOE.

2.10 We should report also the part that CIR staff are playing in some departments' top management systems. For example, in Customs and Excise the CIR services contribute to the briefing for top management's mid-year review and planning process. In almost all departments, the programmes of the CIR services are submitted to top management; in a number of cases they are drawn together by a CIR Co-ordinating Committee. We have had little clear-cut evidence of top management making substantial changes to CIR programmes; but that may reflect the greater efforts which are being made at working levels to ensure co-ordination, and perhaps also CIR services taking account of known concerns of top management in preparing their forward programmes.

2.11 One of the main ways in which top management has influenced the direction of CIR services is in the use made of multi-disciplinary assignments: most of the examples of such assignments were done at top management direction. Multi-disciplinary working has included joint assignments by O&M and IT, O&M and OR, O&M and accountants, O&M and Staff Inspection, Staff Inspection and Internal Audit, and almost any other combinations. It is clear that some kinds of multi-disciplinary working are easier to manage than others. O&M and IT go naturally together, and the benefits of combined assignments are obvious (as one department told us in discussion "it avoids us computerising a piece of work that should not be being done at all"). O&M/OR

assignments have also proved very fruitful. With some of the other combinations (for example Staff Inspection and Internal Audit) the basic working methods are different and it is not easy to marry them.

2.12 Nevertheless we have had some interesting examples of successful joint assignments, including

- C&E: Review of Personnel Directorate.

  Reviews of cutter requirements.

  Departmental Training arrangements.

- DHSS Review of Office of Principle Social Security Appeals Tribunal (O&M, SI)

- DE: Review of Typing Services and of Typewriting Training Centres (M/S and IA)

- HO: Output and performance measures (O&M, Stats, OR)
  Immigration service resources (SI, O&M)

- IR: Data management (Statisticians, OR, IT, MS, Finance)

- MOD: Contracts (Management Audit)
  Industrial Productivity schemes

- PSA: District Works Office (MS, SI)

- DTI: Patent Office and Insolvency Service (SI, O&M)

- DTp: Marine Directorate (SI, IA)

- Treasury: CISCO (IA, SI).

6. Succession Plans in place to ensure that senior CIR staff have real line management experience.

2.13 This is where there is least success to report. We have had fully satisfactory answers from only two departments (Cabinet Office and HMSO), who have clear succession plans, beyond those that are required under the service-wide plans for the senior Open Structure, for their heads of CIR services. HMSO intend to develop such plans. Most other departments have stated that their aim is to appoint people with line management experience, and we do not doubt that most of them achieve their aim; but that is not quite the same as "clear succession plans".

7. Plans for CIR skills to be taught to line managers.

2.14 Departments have mixed feelings about this yardstick. All accept the need for line managers to know what the CIR services are and how they can help, so that they know who to consult when they have a problem. But many do not accept that line managers need to learn the CIR skills themselves. From our discussions, we would estimate that a little under a quarter are making a positive effort to teach their line managers the rudiments of CIR skills. Examples include

- COI, which is preparing a programme to include the principles of manpower control within resource budgets and Treasury grading guidance.

- DHSS, which ran a pilot course in April 1986 teaching management services skills to line managers. They are now repeating the course and will then evaluate it for wider application.

- IR: seminars for line managers on quality control
  : courses for office managers on basic O&M.

- MSC: runs O&M modules for line managers.

In addition, however, about half the departments are teaching CIR awareness as part of their basic FMI training. Our own view is that, while it is obviously unrealistic to attempt to turn line managers into CIR specialists themselves nevertheless the demands on the CIR services now considerably exceed the resources they have available. In these circumstances, it makes sense, as some departments are already finding, to give the basic guidance to those managers (such as managers of large and medium sized offices) who are most likely to have regular need of CIR help.

8. Treasury/Cabinet Office (MPO) guidance issued about performance indicators for staff inspection and management services.

2.15 Guidance on output measures and performance indicators is being issued to departments at the end of October both for Management Services and Staff Inspection work. There is a range of Staff Inspection indicators which have been refined over the years that departments are required to report to the Treasury annually.

2.16 Meanwhile, a few departments (DHSS, MOD, DNS and DTI) have been working up interim guidance for their own CIR services until such time as the central guidance had been finalised.

9. One or two departments at least using CIR forces to help managers improve budget discipline.

2.17 Many of the assignments referred to in previous paragraphs will have had the spin-off benefit of helping managers improve their budget disciplines for the future. The best examples of CIR services being used directly for this purpose are:-

- FCO: the management review staff are reviewing procedures for budgeting

- DHSS: a working party led by MS designed a budgetary control system, including manpower and general running costs, for the Newcastle Central Office.

- MOD: CIR staff have been advising budget holders on budget setting and how best to utilise resources within the budget framework.

- Scottish Office: CIR staff provided a control questionnaire which was applied by the Education Department to help assess the standard of financial management in List D schools.

CHAPTER 3 Central CIR Services

3.1 Last year's report discussed at length the role of central CIR services, and considered their organisation within the two central departments. There is nothing to add to what we said then. Accordingly, this report concentrates on developments in multi-disciplinary working; training; co-ordination; and running costs.

Multi-Disciplinary Working

3.2 As last year, all the services, except for IADD, have done some multi-disciplinary work. Examples of formal assignments include:

- follow-up to the MDR of Budeting (a team led by JMU/FM, including ME, OR, PSE, MA, RCM and Training Division)
- performance measurement in the Crown Prosecution Service (OR, ME)
- financial management survey of the HSE (SIED, MA)
- information technology for the DPP (CCTA with the department's O&M group)
- Inter-Departmental Study of Records Management (ME, CCTA)
- DHSS review of forecasting, planning and control systems (OR, SIED, and DHSS OR, economists and statisticians)
- MSC Stamina project - post implementation review (MA, CCTA)

In addition, the CIR services report a good deal of day-to-day co-operative work, for example in support of Expenditure Divisions.

Central CIR - Training

3.3 There has been adjustment to several courses in CIR skills and strategies at the Civil Service College. The 3-day 'Basic Assignment Skills and Strategies' (BASS) course is now firmly established and the second of the core courses in the field, 'Assignment Skills' is now geared to the needs of the wider CIR community. Additions to the College's CIR repertoire to take account of the impact of information technology are either in being or scheduled for launch during Autumn 1986.

3.4 The College's new course, 'O&M for Line Managers' to run 6 times a year, will be designed for line managers from HEO to Grade 7 who wish to add assignment techniques to the organisational and management skills they may possess. It is designed to help line managers undertake review assignments within their own area of responsibility and is in response to recommendation 5 of the original CIR report. A pilot course in November 1986 is to be followed by the first live run in February 1987.

Co-ordination

3.5 Last year's report discussed the need for better co-ordination of the work of the central CIR services. We recommended twice-yearly meetings with the head of CIR staff in the Treasury and the Cabinet Office (MPO), to look at the work programmes for all the CIR services together; and a report to the Joint Management Meeting (JMM), augmented by the head of the Government Accountancy Service, to enable them to make a strategic view of the overall effort. This recommendation was accepted. As planned, there have been two such meetings in the past year, supplemented by informal discussion, and reports have been submitted to the JMM. These reports now show the costs of the CIR assignments, the coverage, and (where possible) the expected benefits. Following discussion of these reports, JMM has laid down priorities for the services.

Scrutiny of Running Costs

3.6 The Treasury recently sent to all departments a background note on running costs, aimed specifically at staff in departmental CIR services. The Framework for Management Services has been amended to take account of the emphasis on Running Costs, the subject is now an integral part of management services training and consideration of the subject at meetings of Heads of Departmental Management Services has included a talk by RCM Division of the Treasury. The staff inspection training courses have been revised to bring in running costs as a specific topic, emphasis being placed on the diagnostic role which staff inspectors, and others in the efficiency services, need to develop. A seminar on the diagnostic role of staff inspection was held recently.

CHAPTER 4 Next Steps

4.1 Most departments have made good progress in implementing the recommendations of the CIR report. It is not easy, nor is it very useful, to attribute particular aspects of their progress between the various influences on them: the CIR report, the further development of budgetary control systems, the tightness of running costs controls, and value for money targets. Whatever the mix of influences, the picture outlined in Chapter 2 of the this report is encouraging compared with the situation described in the Efficiency Unit's 1984 report.

4.2 This is not to say that the recommendations of that report have been fully implemented. The report was seeking a radical change in the approach of top management, of line managers and of the CIR services. No department would claim that it has completed the task. So we cannot draw a line and declare the CIR report implemented.

4.3 We do not think, however, that a further separate report on CIR progress would be the best way of securing further improvements. In large measure, the CIR recommendations are subsumed by the work departments are doing to follow up the MDR of budgeting. We have already seen some overlap between departments' progress reports on CIR and their action plans on budgeting. It would therefore be best to integrate further work on CIR with the work which departments are doing on budgeting. We suggest that departments should be asked to say in their October 1987 progress reports on budgeting:

- what top management has done to focus better the work of their CIR services

- what further multi-disciplinary assignments have been done, and with what results

- what further training in CIR skills they have given their line managers, and what experience they have of managers putting those skills into practice.

4.4 Departments are also due to review their organisational arrangements for internal audit during 1987. The Treasury will be in touch with them about this early in 1987.

4.5 The other outstanding issues are

a. the Treasury's Staff Inspection guidelines, which are due for review in the latter part of 1987;

b. an evaluation of the arrangements for co-ordinating the work of the central CIR services, which we will be making in 1987.

4.6 We shall be reporting progress on budgeting in December 1987. We suggest we include the progress made on the subjects mentioned in paragraphs 4.3-4.5 in that report.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Management in the Civil Service is undergoing substantial change. It is inevitable that the next few years will be a transitional period. It is impossible to be sure what will be the best arrangements for consultancy, inspection and review in each department. These services need to be ready to stimulate and encourage the change and to plan for the consequential changes within their own organisations as well as across their departments. The people doing CIR work will have a strong influence on the success of the management reforms which were begun in May 1982.

4.2 Line managers in the Civil Service still need to be informed and reassured about their future role. Senior management in departments must make a reality of the FMI principles which emphasise line management's real responsibility. This change is both the most important and the most difficult of the governments' management reforms. The existing culture is one in which civil servants have been trained to work to central procedures with relatively little scope for personal initiative or accountability. Line management must be told unequivocally what is expected of them, and the nature of their new responsibilities, in a way which is honest and unambiguous. It must be clear how accountability will flow through the line management chain, and that senior management gives a high priority to helping line managers to be successful.

4.3 The recommendations that follow are aimed at three main objectives:

- To ensure that line management understands the implications of the management changes that are under way;
- To plan and manage the CIR services to support these changes, starting immediately with the change to resource management by budget;
- To monitor and co-ordinate the changes in the central departments.

The Implications of the Management Changes

4.4 Recommendation (1) Ministers in charge of departments with their Permanent Secretaries should ensure that line managers throughout their department understand that:

(a) the primary responsibility for resource management and control and for achieving improvements in value for money lies with line managers;

(b) the cycle of budget and target setting and review through the year will become the main method of monitoring, assessing and controlling line management's performance;

(c) line managers will be given the authority they need to discharge their responsibilities, in the expectation that their activities may be audited but that the control mechanism is the budget;

(d) there will be arrangements for line managers to be helped by specialists, within their own organisation, or within the department, or from outside;

(e) CIR staff (except for Internal Audit) will be accountable primarily for how far they have helped line management improve its performance.

Organisation of CIR Services

4.5 Detailed organisational structures cannot and should not be prescribed centrally. They must be designed by each department to fit its own structure. Some re-organisation will be inevitable and the pattern may differ between departments.

4.6 Recommendation (2) Ministers should seek proposals from their Permanent Secretaries, within the next six months, for action to re-organise their CIR services. Options to be considered should include:

(a) regrouping the existing specialists to create a multi-disciplinary management support group, including staff inspection, management services, operational research and computer experts, and with access to other specialists; this support group should provide expert advice to both line management and to the top management group;

(b) developing a small top management secretariat which works directly for the senior management group and can co-ordinate the investigations and scrutinies commissioned or authorised by that group. The secretariat should draw on whatever source of expertise, within or outside the department, is most appropriate for the work it commissions.

The heads of large executive organisations which have their own CIR services should also review them on the lines of sub-paragraph (a).

4.7 Recommendation (3) Internal audit should be maintained as an independent function, but internal auditors should work in close co-operation with the management support group. How best to organise this co-operation will vary from department to department. Hitherto a majority of departments have emphasised the independence of internal audit by keeping a separate unit. That has obvious merit, provided that co-ordination with work to improve value for money is satisfactory and there are no artificial barriers which hinder joint working with other services where this is appropriate. On the other hand, departments should be free to group internal audit with other functions where the Accounting Officer is satisfied that there are advantages in this and that the independence and central standards of internal audit will be maintained. These organisational arrangements should be further reviewed in three years time.

4.8 Recommendation (4) Career planning for internal audit and management support staff, outside the functional specialisms, should aim to ensure that spells of continuous service are no more than five years, and that senior staff have real line management experience in addition to experience in their specialism.

The Transition to Budget-based Controls

4.9 Recommendation (5) For the next two years at least, the principal task of the management support group should be to handle the difficult period of change to resource control by budget. They will need to work directly with line managers and with training divisions to ensure that line managers have the resource control systems and the skills that they will need. Once the new budget structure is in place, the management support group should have the resources to develop as an expert advisory service for line management.

Investigations by Top Management

4.10 Recommendation (6) Work programmes for the services covered by this report should be approved by the senior management group. Investigations sponsored by senior management itself should concentrate on problem areas of wide significance. Although from time to time the senior management group may want to sample the position on a particular management issue, for example grading standards in one organisation of the department, it should not use its assignment staff for detailed second-guessing. These issues should be resolved as part of the budget-setting process and the responsibility for putting any deficiencies right should lie within the line.

4.11 One way of ensuring that line managers have an incentive to make efficiency improvements could be through a basic assumption of productivity growth reflected in the budgets. There may be transitional problems, but in the end, if there continue to be regular detailed inspections, the sense of responsibility that the FMI is intended to engender in line management will not emerge because line managers will not see themselves as having the final responsibility to seek improvements in value for money for themselves.

4.12 This report has not dealt with the responsibility for central resource control and budget-setting in departments. The roles of the PFO and PEO are already altering as management structures alter. In changing the role of the CIR services, senior management will obviously have to take into account these other changes to the finance and personnel functions, and ensure that the central organisation of the department is properly co-ordinated.

The Central Departments

4.13 The fundamental issue for the central departments, as for the centre within each department, is that to secure better control they must relax control of detail. That is a difficult thing to do. It is crucial, if the new style of management is to succeed, that the centre is seen to accept and fully endorse its principles. The key role here falls to the head of the Treasury and to the head of the Civil Service through their leadership of the service and their departments' sponsorship of Finance Officers and Establishment Officers respectively.

4.14 Recommendation (7) Treasury Ministers and the Minister of State (Privy Council Office) should jointly ensure that their departments:

(a) monitor all departments' progress including their own in putting this report's recommendations into effect and report on progress in July 1985 and July 1986;

(b) review by 31 December 1984 the organisation and roles of their central CIR services to ensure that they are able to reflect developments in departments and, in particular, development of the multi-disciplinary approach recommended for departmental management support units; this will include their role in training, practical support and co-ordination, monitoring effectiveness and participation in individual assignments.

Summary

1.5 The report was a wide-ranging one. It looked at the work of the CIR services (primarily staff inspection, management services, internal audit, and computer services) in the context of the changes which are being implemented under the Financial Management Initiative. Its central proposition was that under the FMI it is the line manager who has the primary responsibility for achieving value for money; and that top management's control over the line management should be exercised through the budgetary process. The CIR services, argued the report, should be used as a consultancy service for line management and should be judged by how far they have helped line management improve its performance; top management should also use CIR to look at problem areas of wide significance, and to sample the position on particular management issues; and the services should be grouped together and work in a co-ordinated and cohesive way.

1.6 Central to this line of argument is that departments must have a robust system of setting, monitoring and controlling line managers' budgets and their performance against targets. This is now being reviewed in depth in a multi-department review (MDR) of Budgetary Control led by the Head of the Government Accountancy Service.

1.7 The area in which most departments have made progress is in the organisation and co-ordination of the CIR services themselves. All departments have re-examined their organisational arrangements and many have changed them to improve their co-ordination. Departments are arranging for work programmes to be looked at together; many report that the programmes are now being submitted for approval by top management; there are encouraging signs of the beginning of multi-disciplinary working.

1.8 Departments are less advanced in the transition to resource control by budget, on which much of the CIR report's argument is based. All departments have started on the process of delegating budgets; but many are still at the early stages. All plan to move further; but very few of them expect to have gone over to a fully budget-based system of control within the next two years. There is some doubt whether, particularly in headquarters areas, it will ever be possible to rely totally on the budgetary system as the means of challenging line management (a point on which further guidance will be given in the MDR of Budgetary Control). What all this implies is that, for some time at least, the CIR services will be needed by departments as a regular instrument of top management control to a rather greater extent than the CIR report envisaged.

1.9 This is particularly relevant in the case of staff inspection. The Treasury paper issued shortly after the CIR report gave some extra flexibility to departments in the way they deployed staff inspection effort. Some departments consider that they now have enough discretion for practical purposes. Others would prefer more. Given the current and prospective progress on budgetary control systems, it is clear that staff inspection will remain a necessary tool of top management for some years yet. Furthermore, judging from results we would see no good reason to argue at present for a reduction in the total amount of staff inspection in departments: indeed some should do more. Nevertheless there is scope to give top managers of departments full responsibility for deploying their staff inspectors' effort as they judge best within that total.

1.10 There is widespread acceptance of the supporting recommendations in the report, concerning the role of internal audit; career planning for the CIR services; and the need to quantify the costs and benefits of CIR assignments, though this last is by no means easy and departments still have much work to do.

1.11 The JMU was also asked to review the organisation and roles of the central CIR services to ensure that they are able to reflect developments in departments. The role of the central CIR services is different from that of their departmental counterparts; in particular, they are responsible for monitoring CIR activities in departments and for providing professional guidance and leadership. The organisation of departmental CIR is not necessarily the right answer for central CIR. The existing organisation, however, is by no means ideal, with the CIR services split between two departments and five Grade 3 or above commands. Reorganising the CIR services at the centre would have repercussions on the organisation of both departments which would be well beyond the scope of this report. But when next the organisation of the two central departments is under review, it would be desirable to reduce so far as possible the number of separate CIR commands. Meanwhile, despite this handicap, the services manage a good deal of co-operation, including some multi-disciplinary working. Matters have further improved with new arrangements under which the expenditure divisions are to hold twice yearly meetings of all central intervention staffs dealing with a single department. What is not yet in place is a satisfactory way for the top management of the central departments to direct and focus the totality of central CIR effort on the subjects they consider important. We are proposing arrangements for the central CIR services to meet twice yearly to discuss their programmes and for the programmes to be submitted to the top management of the two departments for them to approve and to consider broader issues (such as the scale of resources, the balance between the different specialisms and training) affecting the CIR services.

YARDSTICK 1

A clear message to line managers, with Permanent Secretary's authority that they are primarily responsible for improving value for the money they control.

MAFF	Message issued to line managers by the Minister. Principle also emphasised at Permanent Secretary's Seminars with senior managers and in a notice to line managers by Principal Finance Officer.
CO	The Cabinet Office 'Management Accounting system makes the message explicit and is reinforced through a delegation exercise whereby a range of responsibilities were transferred to Responsibility Centre Managers.
COI	Briefing paper issued to all line managers to Grade 7 level on authority of Director General.
C&E	An initial message issued by the Chairman and re-emphasised in subsequent messages to the line.
DES	Where line managers directly control expenditure they have been advised that they should develop financial management systems and review mechanisms which will enable them to monitor and control expenditure more effectively.
DEmp	This message included in the Permanent Secretary's introduction in a new Guide to CIR Services issued in November 1985, and in budgeting guidance to line managers (1985).
DEn	A meeting of Under Secretaries held by Permanent Secretary to emphasise the message. Management Board personally interviews each Head of Division about his objectives, tasks and resource bids. Permanent Secretary to issue memorandum to staff about importance of good resource management.

DOE	New MINIS format specifically requires Director to provide key information on performance measurement and value for money. (Emerged as an important theme of 1985/86 MINIS cycle and to be the main emphasis for development in 1986/87 MINIS).
ECGD	Message emphasised in the 'Business Planning System.
FCO	Message issued in various contents eg by Permanent Secretary on purchasing in a booklet "Government Finance - what the FCO officer needs to know", and at briefing meetings for those going abroad as Heads of Mission.
For. Comm.	Policy guidelines to managers already in place; operating on commerical lines and message emphasised through budget setting procedures.
GCHQ	New guidance issued by Director containing specific reminder, and accompanied by pages from Treasury/MPO package "Managing Resources Well". Standing instructions re-issued as part of this exercise included an explicit message.
HSE	Message is conveyed primarily through Divisional Planning and Review meetings.
Health and Social Security	Message contained in the foreword to a "CIR Prospectus" issued to all Grade 7 and above. Same message also included in recent departmental circular. Both signed by Principal Establishment Officer.
HMSO	Trading fund financial targets and the system of internal controls set up to achieve them ensure management action to secure value for money.
HO	Annual Performance Review emphasises the message and was reinforced by note from Permanent Secretary to all staff.
IR	Emphasised in the introduction to a booklet "M2 Management Services" and reinforced by Chairman's News Letter.

IBAP	Message conveyed through process of setting budgets and monitoring.
Land. Reg.	Annual 'budget letter' from Chief Executive is chosen vehicle.
LCD	The message has been transmitted through course and seminar programmes. A senior management conference session was specifically aimed at the budget holders responsibility for value for money.
MSC	Proposed 'Catalogue of Management Services' will contain a forward by the Chairman emphasising the message.
MOD	Notice to Directors and Heads of Divisions outlined broad aims.
Nat. Sav.	Monthly meetings of budget holders with Head of Department emphasising the key message.
OPCS	'Guide to Line Managers' and FMI Newsletter made the point, supported by formal guidance notes to accompany the annual planning trawl.
OS	Personal copy of Office Notice to all line managers emphasised the message. Note alo included in "Managers Guide".
PGO	Each FMI Training Course introduced by Head of Department who highlights the message. This was accompanied by a notice to all line managers SEO and above.
PSA	The PSA Board has authorised the development of the MINIS system as the chief vehicle for assigning to line managers responsibility for value for money.
SO	Video recording shown on in-house FMI courses features Permanent Secretary and emphasises value for money.
Trade & Ind.	Feature articles in the house journal - "DTI News" Video presentation by Secretary of State shown to all staff placed a heavy emphasis on budgeting.

Transport	The department's Management Board has adopted a statement of FMI principles which makes clear that ensuring value for money should be primarily a line responsibility. This message has been widely promulgated through the departmental plan with the Permanent Secretary's endorsement.
Treasury	Opportunity taken during last work programming and and budgeting round for Permanent Secretary to issue message.
Welsh Office	Correspondence with business managers included a reminder. The theme of line management being primarily responsible for improving value for money underlies and is where appropriate specifically highlighted in a whole range of communications going to line managers either directly from or under the authority of the Permanent Secretary.

YARDSTICK 2

Evidence that line managers are initiating and demonstrating improvements in value for money.

MAFF	Services once provided in-house have been reviewed. eg Booking of overseas travel contracted to British Airways (£60,000 pa saving). Line mangers were invited to suggest economies in common service area. Proposals being pursued include: i. Possibility of using professional photographers to do work. ii. Review of arrangements under which all papers going to any Private Office are copied to all other Private Offices. iii. Possible introduction of work measurement units on routine clerical operations to establish accurate manpower inputs.
CO	The MPO planning system now requires line managers to identify value for money targets.
COI	Examples provided include: i. Contracting out of translations and typing service (saving £52,000 pa). ii. Privatisation of film vaults and transport operation. (saving £120,000 pa). iii. Successful negotiation with advertising agencies for discounts.
C&E	Central value for money targets are set in the VAT, Customs and Excise and Admin areas. Relevant examples include: i. 10% reduction in VAT payments delays to large traders. ii. Review of effectiveness of drugs prevention.
DES	Responsibility for seeking improvements in the financial management of programmes rests with the policy branches. A number of reviews are being carried out with the aim of improving financial information.

DEmp	Progress report (to Treasury (and JMU)) in May 1986 included numerous examples, eg:- - 10 examples from Industrial Tribunals, including replacement of a central office canteen by a vending machine, and contracting-out of security in a tribunal office; - Unemployment Benefit Service initiative to reduce travel and subsistence, heating and lighting costs, levels of substitution working. Also supply saving, eg through bulk purchase of fluorescent lights (25% saving) and furniture items (£80,000 on chairs); - New application procedure for Job Release Scheme (JRS) cut costs by 50% (£290,000 pa savings); BACS payment of JRS allowance modified to save in excess of £60,000 pa.
DEn	A charge to commercial non-media organisations who wish to receive press notices has been instituted. (savings and Revenue £15,000 pa). Accommodation costs and other administrative costs have been reduced by nearly £1 million.
DOE	A number of examples provided in the areas of housing, rural affairs, land and property and business efficiency services.
ECGD	Have undergone extensive re-organisation and are the process of delegating budgets.
FCO	i. The Diplomatic Wing Information Department negotiated a substantial reduction in cost of News Agency tape service (saving £800,000 over 3 years). ii. Re-examination of privatisation option has led to trial use of private press cutting firm. iii. More effective use of in-house photocopying facilities has achieved £20,000 savings in ODA.
For. Comm.	Continuing development of mechanisation and improved systems of management and control is likely to secure steady productivity increases. As a business a 10% increase in labour productivity was achieved on timber harvesting operations in 1985/86.

GCHQ	Recent examples include i. Restructuring of shift work in computer area. ii. Review of overseas travel arrangements. iii. Examination of purchasing procedures for office consumables.
HSE	Process is primarily part of annual planning and review system when Heads of Division are expected to show where improvements in productivity or efficiency are being made.
Health & Social Security	Specific examples are recorded in reports from the Regional Organisation at the Central Office. They include: i. repairing and refurbishing furniture instead of replacing; ii. installation of water meters and iii. negotiation of discounts on gas cookers bought on behalf of claimants.
HMSO	HMSO annual reports since 1980/81 show substantial and consistent improvement in productivity, efficiency and value for money.
HO	Twenty recent examples have been identified including: i. Review of postal arrangements (saving about £12,000 pa). ii. Examination of prisoner photography (potential saving £410,000).
IR	Results from pilots on line management budgeting support the view that managers are taking the initiative when giving a budget. Examples of improvements include: i. Steam-cleaning and rebinding of valuation lists instead of retyping. ii. Adapting obsolete furniture for VDU work stations at a saving. iii. Producing computer software to print street indexes.

IBAP	Better use has been made of in-houses printing, reducing use of outside resources which in turn reduced cost.
Land Reg.	Improved output standards and unit costs (to the extent of 1.5%) have been offered by managers for 1986/87.
LCD	Recent examples are:- i. Contracting out of Mechanical Recording Unit - subject of review. ii. Storage of Court records.
MSC	Examples include: i. Skill Centre changed from electricity to gas (saving £1,200 pa). ii. Young person's rail card" purchased for young staff member. iii. Some Skill Centres have derived income from hiring out conference rooms. iv. Thermostat installed (saving £10,000).
MOD	Third round of MINIS included a section for Senior Officers to indicate measures they were taking to improve efficiency in their area. Data provided has given idea of range and scope of work being done and has formed the core of an Efficiency Programme Database. Some 800 individual efficiency measures were picked up.
Nat. Savings	A number of specific examples quoted which are particular to DNS. Examples include:- i. Central isue of low value Premimum Bonds that were hitherto sold at post offices and banks. ii. A validation service for Savings Bank withdrawals for staff at Post Office counters.

OPCS	A number of examples provided including:- i. Reduction of 25% in telephone charges by sending reports of logged calls to line managers. ii. Installation of time switches on lighting. iii. Saving of £17,000 pa by using parcel post instead of letter post.
OS	Examples of recent improvements include: i. Review of physical security (£50,000 saving). ii. Review of administrative boundary recording and publication work £160,000 saving). iii. Reduction of overheads following organisational proposals from Printing Division management.
PGO	Line managers have recently initiated: i. Re-organisation of workloads. ii. Overtime review (£7,000 saving). iii. Introduction of call-off contracts for envelopes and computer stationery enabling storage space to be surrendered (£8,500 saving).
PSA	i. Proposal to attach a 'cost in use' analysis to every landscape scheme to avoid expense of modification and in order to ensure the maintenance aspect of landscape design is taken into account. ii. Introduction of a 'drawing office scriber system' (based on usage of 2 hours per day - saving £5,000 pa).
SO	A number of specific examples of initiatives provided; including:- i. Increase number of visitors to ancient monuments (by 2%). ii. Saving of energy consumption in prisons.
Trade & Ind.	The Annual Divisional Work Programmes contain extensive deployment of value for money targets by managers which are reviewed 6 monthly.

Transport	The department has report VFM targets covering nine areas to Sir Robin Ibbs covering national roads, local roads, British Rail, London Transport, DVLC, Driver Testing, Vehicle Inspection, Traffic Area Offices and R&D. In the department's executive organisations and fee-earning businesses the management accounts are increasingly providing the basis for unit cost targets which demonstrate improvements in VFM. Examples are included in the Departmental Plan and in the department's Chapter of the Public Expenditure White Paper.
Treasury	Improvements generated by line managers include: i. Issue of portable word processors to all staff inspectors (saving time and releasing demand on supporting clerical staff). ii. Installation of electric Burster machine to separate and guillotine continuous computer printouts etc (releasing clerical effort). iii. A charge to recipients of press notices is being examined.
Welsh Office	Examples of improved value for money cover programme expenditure as well as running costs.

YARDSTICK 3

Examples of the Extent to which CIR assistance is sought by and effectively given to line managers to improve value for money.

MAFF	i. Inspection to help Establishments Division decide most effective management structure for Division. ii. Foreign travel bookings (see yardstick 2) hived off as result of line manager's request for O&M study.
CO	i. The Civil Service Commission has sought advice from Internal Audit on more cost effective system of charging non-Exchequer bodies. ii. Top Management Programme has asked for review of their financial controls. iii. Finance Division was reviewed at their request in 1985 by a multi-disciplinary team of O&M, SI, IT, IA and DTO.
COI	Complementing Section provided an organisational solution to an industrial relations problem in Office Printing Services intended to achieve resource savings in the longer term. Overseas Publicity Group were helped to abolish several foreign language typing posts.
C&E	VAT Division requested help from Staff Inspection to achieve improvements. The message that help is available and should be sought has been reinforced by a letter to line managers.
DES	Examples include: i. Internal organisation of new IT Branch. ii. A review of rail costs.

DEmp	Management Services undertook 7 assignments in 1985/86 in response to direct line mnagement requests, including advice on performance indicators for Private Office work; work measurement in Regional Adjudication (UBS) section; and review of computer liaison service; Internal Audit work at suggestion of line management included audit of Trade Union Education and Training Grant. Details of work undertaken by all CIR services at line management request given in consolidated report to Senior Management Group and made available to JMU.
DEn	Coal Division requested staff inspection to look at an organisation problem. Internal Audit/Staff Inspection jointly commissioned to review service provided by departmental library. (66 recommendations concerned improving value for money).
DOE	Requests for Management Services during 1986/86 increased by 33%. (68 requests). An example is:- Review of messenger service (£100,000 saving).
ECGD	An improved liaison system with line managers is in place. Recruitment of staff to implement the full range of services planned is not yet complete. In the interim extensive use of consultants has been made. The supportive role of CIR staff will be refined and refined and emphasised to line managers in time for the operation of the new devolved budgeting system.

FCO	The Head of an FCO Department requested a review which resulted in his Unit being reduced and his post downgraded. Line managers frequently seek help with IT applications. A Management Review Staff study on management procedures in ODA geographical departments has highlighted consultancy role of MRS. Similar detailed support has been sought from Internal Audit by ODA Accounts Department.
For. Comm.	Work Study Branch currently have some 60 projects in hand almost all commissioned by line managers.
GCHQ	All O&M programmes and OR work and some of the work of Staff Inspection has resulted from requests by the line. Examples include: i. At request of Computer Operations Division, Staff Inspectors, jointly with line managers have restructured shift work in computer area. ii. Accommodation and Work Services Group requested a study of organisation and operations by O&M and Staff Inspection.
HSE	Guidance note to be issued to line managers setting out CIR services available. Current programme of Management Audit is first to be drawn up entirely on demand led basis.
Health & Social Security	A recent study established that the main CIR units set up approximately 450 individual projects in 1985/86. A high proportion of these arose from initiatives from line managers and most embraced value for money considerations.
HMSO	Advice on specialist review services available will be brought together in booklet form. The scope and level of CIR investigations is being raised.

HO	A number of examples provided in the Police, Prisons and Fire Services, including:- i. Transport Review of Fire Service College. ii. Review of storeman's duties in prisons.
IR	Scope for responding to suggestions from line managers below regional level is limited. Most of the significant initiatives have come from top and senior line management. Examples include: i. Review of Security Services. ii. Development of personnel planning. iii. Data Management. iv. Regional manpower planning.
IBAP	The main examples are in the IT area.
Land Reg.	1986/87 is the first full year for the MSU. Its programme includes assignments requested by line managers.
LCD	Examination of the storage of Court records and the management structure of the Court service are recent examples of assignments requested by line management.
MSC	Forward programmes for main CIR services are prepared in response to requests by senior management within the main divisional groups. Shortly to produce a catalogue of services.
MOD	A number of examples provided including: i. Study of clerical support levels and admin functions. ii. Review of tuition facilities at REME Arborfield. iii. Review of aircraft servicing in Hong Kong (move from civilian to service tradesmen with net saving).

Nat. Savings	Examples provided include: i. Assistance to Budget Controllers by specialist forms unit in their work of revising customer forms. ii. Management Services, ADP staff and Staff Inspection help to Controller, Savings Certificate and SAYE Office, in a review of procedures introduced for clerical staff following central issue of savings certificates that were hitherto sold at Post Offices and Banks.
OPCS	The O&M work programme predominantly reflects line management requests for assistance. Staff Inspection team have been approached by the line on grading issues, workloads and responsibility allowances.
OS	Recent examples are: i. an examination of control procedures in data control section. ii. A review of procurement procedures.
PGO	Fourteen requests received this year including: i. Grading advice (£7,000 saving). ii. Consultation with audit before accepting tenders for cleaning.
PSA	Line management has commissioned some 30 special assignments. Development of IT strategy will further help to bring home, through its information system, the advantage to line managers of actively seeking CIR systems.

SO	There is a greater demand than the services can meet. Unit's programme includes substantial number of organisational and procedural studies requested by line managers. Examples include: i. review of stationery stock control arrangements. ii. Cost effectiveness of arrangements for manning ancient monuments.
Trade & Ind.	A leaflet explaining to line managers how CIR services can help them is in draft. Examples of requests from line management include: i. Study of Regional Development Grants Scheme. ii. A Division request to review outstations. iii. A review of forms. iv. Advice on merging of sections.
Transport	In 1985/86 38 requests for Management Services help were made. Examples include: i. An O&M review of vocational driver licensing. ii. Marine computing project. Audit is now beginning to be consulted by line management before financial systems are introduced. Examples include department oversight of London Regional Transport.

Treasury	Reviews requested by line management include: i. Review of secretarial and clerical assistance to a Special Adviser. ii. An efficiency audit of a clerical pay section. iii. Advice and comment on the development of Computerised Electronic Mail Direct Ordering System for CCTA. iv. Review of grading and staff numbers required for one of the Public Expenditure Divisions.
Welsh Office	Line managers are encouraged to come forward with proposals for studies to be undertaken by the CIR services eg an approach of this kind resulted in a study of the Welsh Translation Unit being undertaken by the MS Branch.

YARDSTICK 4

Quantification of the costs and benefits of all CIR assignments and checks that the benefits claimed are being realised in practice.

MAFF	Staff Inspection negotiates to reach agreement on recommendations in reports. Results passed to complementing authority which monitors implemention. 1985/86 Inspectorate cost £0.47m, savings agreed by Spring 1986 £0.38m. Arrangements are under way for a formal programme of post implementation reviews of Information Technology. Direct quantified cost/benefit studies of audit are not attempted.
CO	Cost of Staff Inspection included in reports. Recommendations are costed. Annual report to Treasury SIED covers quantified costs and benefits for whole year. Plan to cost all CIR studies and wherever possible, assess value amd monitor benefits.
COI	Costs and benefits are calculated for Staff Inspection, management reviews and consultancy. (eg Staff Inspection 1985/86 costs £29,000, benefits £175,000). It is standard practice for complementing section to monitor manpower recommendations.
Crown Prosec. Service	Management Services will report annually to the Director and will be judged by the extent to which they have been able to help both local and senior management. A formalised system for evaluating the benefits of their work will be developed.

C&E	Are developing new arrangements for MSD which involve making clearer to sponsors that recommendations will have to be specifically accounted for and provide more support to sponsors on implementation. Staff Inspection benefits are quantified.
DES	Already quantify the costs of CIR assignments. Are working on a better information system to improve the quality of analysis.
DEmp	Wherever quantification of benefits following acceptance of CIR Services' review recommendations is practicable, this is done and included (along with review costs) in reports to Senior Management Group. For example, in 1985/86 Management Services staff inspections cost £164K, and resulted in savings of £1mK. Specific arrangements exist for Management Services to obtain reports of achievement in implementing agreed recommendations; Computer Branch IT application projects involve post-implementation reviews after six months live running; Internal Audit has introduced a (computerised) follow-up system to monitor managements' response to audit recommendations (in itself helping to quantify savings achieved.
DEn	Staff Inspection costs and benefits for 1986/86 were costs £45k, savings £165k. Recommendations are monitored. IT costs and benefits are also recorded. Line management accept and implement 40% of proposals from Internal Audit. Audit follow up their recommendations.

DOE	Costs and benefits of all CIR services (except Audit) are quantified. Costs of all consultancies, computing and Management Services assignments are fully recharged to line managers. Clients with IT projects are required to prepare an action plan for implementation. This includes an evaluation of whether the stated benefits accrued, and on what timescale. Management Services assignments have one year post-implementation reviews. Line managers prepare formal action plans following Staff Inspection report.
ECGD	Assignment costs quantified. Quantification of benifits is being improved and a system of post-implementation review introduced.
FCO	Costs are quantified for all Management Review Staff assignments. Benefits when quantification is possible. Recommendations are followed up by a designated officer. ODA are designing a system for recording and monitoring implementation of all recommendations of CIR services. Reports on savings achieved and outstanding action will be submitted regularly to senior line management. Internal Audit costs and benefits not normally quantified. A formal follow up procedure exists however.
For. Comm.	Each CIR service produces an annual report to the Executive Board which summarises the cost of providing the service and the achievements and cost savings over the previous year.
GCHQ	The cost of all conventional assignment work is quantified (ie Staff Inspection, O&M, Efficiency Studies). Participating in Treasury/MPO development of performance indicators for Staff Inspection and O&M.

HSE	Annual report of Internal Audit and Management Services Section analyses value of recommendations when they can be quantified, extent to which they are accepted and implemented, and the cost of audits. Divisional planning system acts as check that the more easily quantifiable benefits are realised in practice.
Health & Social Security	Virtually all CIR Units quantify costs. Now seeking to introduce common costing methodology. Cash savings are quantified where possible but other benefits often remain unquantifiable. A computerised system is in operation to check progress on implementation.
HMSO	A formal system for implementation of recommendations, follow up, and evaluation of results has been introduced.
HO	Costs and potential benefits are discussed with line managers before assignments begin. Actual costs are shown in the assignment report and benefits quantified wherever possible. Follow up discussions are part of post assignment procedure. Assignment reports contain proposed implementation timetable and Staff Inspection reports contain assessment of financial implications.
IR	Management Services reports contain cost in terms of staff time, travel and subsistence. Recommendations provide costs where appropriate. Aim for 1986/87 to refine assignment costings, design system for assessing benefits one year on, quantify costs and benefits in annual report. Internal Audit currently monitor staff costs and overheads. Annual report summarises achievement against plan. Staff Inspection monitors staff costs and overheads and reports annually. Each inspection includes report of number and value of posts inspected, number and value of reductions, increases and adjustments. In 1986-88 it is hoped to improve OR costing procedures.

IBAP	Information is available on cost of computing, staff inspection and audit. Computer activities are subject to cost-benefit appraisal. Staff Inspection savings are quantified. Means of measuring benefits of audits are being considered.
Land Reg.	Each review will be costed and an assessment of savings agreed, both to be stated in the final report. The Management Support Unit will either assist in or review implementation. Actual results will be validated by the budgeting process and audit.
LCD	Manpower audit and Management Scrutiny reports include cost of investigation and estimate of resource implications of their recommendations. Conscious of the need to further improve performance indicators and this is being examined in the context of the MPO Guide "Performance Measurement: A Guide for Management Services Staff".
MSC	Assignment costs are quantified for all main CIR assignments. Audit quantifies cost on a 'man-day' basis but has a recharge arrangement with the Skill Centre Training Agency. Staff Inspection produces an annual report of costs and benefits. Information is provided by a staff inspection follow up.
MOD	Database provides central quantified register of assignments and will provide basis for monitoring progress. Records are maintained of studies done recommendations made and those implemented. LMS use database to monitor progress, chase reports, check implementation.
Nat. Savings	Information on costs is now kept systematically. Work is still being done in the area.

OPCS	Staff Inspection assignments are quantified in terms of costs of assignments and benefits arising from recommendations. ADP assignments are similarly costed. Arrangements are in hand for all Management Services assignments to be quantified, both costs and benefits, on annual basis. Post implementation reviews are being considered eg an implementation group is overseeing programmed changes and savings from recent review of reprographics.
OS	All assignments are costed and the benefits quantified. New procedures for monitoring implementation have been introduced. A system has been designed to produce performance indicators but has not been running long enough to be meaningful. Sufficient information should be available by 1987/88 to design useful PIs and improve assignment planning and scheduling.
PGO	Staff Inspection/Management Services inform managers of cost of study and estimated savings with a follow up and progress report each year. Computer projects are controlled by comparison of actual resource costs with estimates, investment appraisal and final review stage.
PSA	Assignments are required to quantify cost and benefits and monitor a record of actual benefits achieved. Performance indicators are being developed to measure the work and efficiency of CIR teams. Follow up has been tightened. Line managers have to prepare action plans within 4 weeks of staff inspection report.
SO	Staff Inspectors and Management Services quantify the costs and benefits of their assignments. Post-implementation reviews are carried out on any computer systems implemented.

Trade & Ind.	All assignments are costed. Staff Inspection and O&M produce an action document containing a costs and savings column. On Efficiency Scrutinies an implementation report is called for after 2 years. On O&M a cover note is put on the document summarising costs, savings, benefits and implementation costs - checked 6 monthly.
Transport	IT Strategy and Policy Division in Business Efficiency Services examines all requests for projects for cost effectiveness. Management Services produce quantification of benefits. Units for IT are required to draw up action plans. Management Services carry out Post Implementation Reviews. Staff Inspection have a timetable for key stages. Internal Audit is revising follow up arrangements to ensure prompt implementation.
Treasury	Costing is applied on standardised basis by all CIR areas for both programmed and ad hoc work. Output measures have been developed, quantified where possible. Staff Inspection recommendations are monitored. Throughput on procurement of IT is measured. Number of procurements processed and total value of orders placed are monitored. Evaluation of audit under a 10 point review is in trial stage.
Welsh Office	Practice is under review.

YARDSTICK 5

Better direction and focussing of CIR services by Top Management, some Multi-Disiplinary Work.

MAFF	Management Board approves annually a co-ordinated programme of staff inspection, audit and scrutiny. Six monthly staff inspection progress report considered by Board. Bi-monthly reports submitted to Ministers. O&M is grouped with Information Technology and reviews are currently examining their efficiency and effectiveness. Are considering the possibility of O&M, Information Technology and Staff Inspectors working together.
CO	CIR Committee chaired by PEFO has been established to ascertain need for CIR services and draw up annual plan for top management. Reports are made to top management half-yearly.
COI	Review and inspection programme considered every six months. IT considered by IT Steering Committee. Currently examining proposals for management restructure. One of the objectives under restructure proposals is that all CIR services (except audit) should be brigaded.
C&E	There are formal 6 monthly joint reviews of each divisions' future programme. A multi-disciplinary review of Personnel Directorate has been completed and a review is under way of Cutter requirements and Departmental training arrangements.

DES	CIR Co-ordination Group formed which operates under the direction of MG. Assignments are proposed from four quarters. i. Policy branches. ii. Departmental Committees and Working Parties. iii. Self generated by CIR. iv. The Management Group. Examples from Management Group include: a. Distribution of work across those policy branches concerned with pre-vocational training. b. A University Forecast Review carried out by the Accountancy Adviser.
DEmp	CIR Services Co-Ordinating Committee established. Senior Management Group devoted special meeting to consolidated report and forward plans of CIR services; and has taken active role in setting terms of reference and conduct of certain Efficiency Scrutinies and Management Services (O&M) work. Reports to SMG (available to JMU) include examples of multi-disciplinary working (about 6 such projects planned for 1986/87).
DEn	Top Management approve annual forward plans and receive a monthly report of progress compared with plan. CIR services are co-ordinated within a single command. Top Management Board will also shortly receive recommendations for next stage of micro strategy and its linkage with two independent computer-using divisions. Staff Inspectors and Internal Audit have carried out a multi-disciplinary project in departmental library. Staff Inspection and ADP are shortly to review a computing section in Economics and Statistics Division.

DOE	Have CIR Co-ordinating Committee. Programmes for Staff Inspection, Efficiency Scrutinies and Internal Audit are all put forward by the Policy and Management Group in December/January. Policy and Management Group have increased manpower in Staff Inspection, IT and Management Services. Every Management Services assignment starts with assessment of skills needed, examples of multi-disciplinary working are Staff Inspection/O&M to examine Directorate of Rural Affairs, and Staff Inspection/Internal Audit Scrutiny of Planning Inspectorate.
ECGD	Business Planning System provides the focus. A Top Management Board has been established and meets fortnightly to consider policy and strategy. The Board will examine the CIR Work Programme Review its relevance to the business plan and commission further assignments as appropriate. Information Management and Country Policy Group is responsible for most CIR services. A CIR Co-ordinating Committee is being established.
FCO	Review and Audit Committee established to co-ordinate CIR in Diplomatic wing. Senior management are now better informed and better placed to give direction. A similar body has been established in ODA. Inspection, Audit and Work Measurement have worked together on an assignment in Crown Agents Pensions Division.
For. Comm.	All services are subject to annual review of programme and achievement by the Executive Board. Monitoring and targeting of performance is through a strategic planning system. Regular monitoring and updating of forward plans and analysis of key indicators ensure benefits developed by specialists are spread rapidly.

GCHQ	PEFO chairs a Board to direct the work of Efficiency Studies and Internal Audit, progress under FMI, and approve staff inspection programmes. There is a regular review of progress and discussion of future programmes with the Director. New guidance document recast key departmental guidance on Financial and resource management. Examples of multi-disciplinary working include items recorded under yardstick 3.
HSE	IT Strategy Steering Group involves top management in divisions on most effective and efficient use of IT. All central planning and management information systems will be reviewed in 1987.
Health and Social Security	A computerised register of all administrative CIR assignments and proposed work is being set up to assist co-ordination and vetting of CIR work. Several multi-disciplinary assignments have been, and are being conducted. Early indications are that a high volume of results will be produced. Internal guidelines on co-operation between CIR units are being produced and there has been some redeployment of staff between some of the units.
HMSO	Reports are submitted annually to top management. CIR work has now been made an integral part of HMSO's forward planning process.
HO	PEO holds a meeting of Heads of CIR at least once a year to review work and performance. Reviews are commissioned following Permanent Secretary's discussion with line management. The Permanent Secretary also discusses with Finance and Manpower the Internal Aduit and Staff Inspection programmes. Examples of joint working include O&M, Stats, OR on output and performance measures and Staff Inspection, O&M on Immigration Service resources.

IR	Senior Management System provides means by which the Board can annually review CIR work. A recent review of the system has suggested ways of strengthening arrangements for effective top management involvement in establishing and monitoring CIR work programmes. All services report to the PFO. Examples of joint working include:- i. An examination of data management by Statisticians, OR, IT, Management Services and Finance. ii. Operational Review of Typing service by Staff Inspection and work measurement, OR and Management Services.
IBAP	All CIR services report to the Director of Management Services who co-ordinates work programmes and submits them to the Senior Management Group. CIR services have focussed on a number of areas at top management direction in past year including: i. A Computer Development Plan. ii. Examination of possible relocation. iii. Top Structure Review.
Land Reg.	The Head of the Management Support Unit is Secretary to the Management Board. The Unit is responsible to and directed by the Management Co-ordinating Committee chaired by the Chief Executive. There are 6 weekly reports of progress. Two assignments have arisen from below target performance. The MSU team consists of Staff Inspectors trained in O&M skills.

LCD	The Management Board and Court Services Board approve annual scrutiny programme compiled in the light of requests from line managers. Examples include Management Scrutiny of Training (initiated by Permanent Secretary and PEO) and Scrutiny of Court Management Structure. Now focussing attention on multi-disciplinary work.
MSC	Assignments are considered and approved annually by top management. Now seeking ways to ensure CIR services are properly directed and focussed by top management; there is no major overlap, and the joint approach is actively considered.
MOD	Direction and focussing controlled by Senior Management Committee. This Board meets twice a year to review performance and set programmes and priorities. Efficiency Programme Database provides the support. Amongst recent multi-disciplinary assignments are: i. Management Audit of Contracts. ii. Study of industrial productivity schemes.
Nat. Savings	The new Director proposes to involve all five budget holders collectively for the first time in decisions on CIR. He aims to achieve this through the new National Savings Services Management Board. The Director will continue to chair a separate HQ Audit Committee, which meets quarterly. A new HO Management Review Committee will be set up with the Finance Officer, Head of Internal Audit and Senior CIR management. this will work out a rolling programme of review topics.

OPCS	A formal Top Management Board has been established with a Grade 7 as Secretary. Expansion to a secretariat is still to be decided. Recent multi-disciplinary assignments include: i. Staff Inspection/O&M review of reprographics (£250,000 saving). ii. Management Services and Financial Management assignment on common service non-manpower budget.
OS	Programme for first year of CIR team was proposed and agreed by Senior Management. Annual vetting of the programme will continue. Each CIR team member will become expert in Staff Inspection, O&M and general assignment techniques.
PGO	Work programmes are approved by Senior Management Group. Examples of top management direction include study on scope for using IT in pensions division and review of pensions division grading structure. An experienced Staff Inspector also trained in O&M is attached to Financial Management Team. Audit have worked with Computer Branch.
PSA	PSA Board exercise close oversight. In October 1985 they set the 18 months forward programme. A separate PSA IT Committee has been set up. A new Audit Committee is being established to review audit programme and monitor implementation of recommendations. The Board has strengthened CIR forces. Internal Audit has also been strengthened to appraise effectiveness of all control systems by 1988. An example of multi-disciplinary working is Management Services and Staff Inspectorate Review of a District Works Office.

SO	A Review Activity Co-ordinating Committee has been established. Management Group approves a single forward programme. Top management has recently restructured internal audit. Examples of multi-disciplinary working include: i. Review by Efficiency Unit and Audit of Stationery Stock Control. ii. Efficiency Unit and Computer Services work on document indexing and retrieval.
Trade & Ind.	All CIR work programmes are submitted to the Resource Management Group. PEFO holds quarterly meetings of Staff Inspectors. Internal Audit reports direct to PEFO and the Permanent Secretary. Examples of multi-disciplinary work include: i. Staff Inspection and O&M project in Patent Office and Insolvency Service. ii. OR has contributed to Efficiency Scrutinies.
Transport	Joint DOE/DTp CIR Co-ordinating Committee has been set up. CIR Committee recommendations will be considered by Top Management Board as part of annual review. A register of reviews has been set up. The Co-ordinating Committee will look at forward programmes and identify areas suitable for multi-disciplinary review. A recent review on financial management of the Marine Directorate involved Staff Inspection and Audit.

Treasury	Regular meetings are held by Grade 5 Head of Management Services and the heads of CIR areas to review past and plan future work programmes. Examples of multi-disciplinary activity include: i. Internal Audit, Staff Inspection and SIED examination of a Pay Accounts Section. ii. Examination of CISCO by Audit and Staff Inspection.
Welsh Office	Top Management reviews Staff Inspection, Management Services and Internal Audit forward programmes together. A single paper to Business Group covers these and all other types of review to be carried out.

YARDSTICK 6

Succession Plans in place to ensure that Senior CIR Staff have real line-management experience.

MAFF	Formal plans are in place for all Grades 2 and 3 and for those Grades 4 and 5 for which it is thought necessary, which includes the CIR posts. Monitoring length of postings is covered by normal personnel arrangements.
CO	Succession plans exist for Heads of each CIR force.
COI	Heads of Complementing Section and Staff Inspectors are not appointed without line management experience. This criterion will apply to a multi-disciplinary team.
C&E	Average length of service in the specialism is 4 years. All recent senior appointments have been of staff with line management experience.
DES	Seek to ensure sufficient number at Grade 7 and SEO with line management experience. Would expect length of time to be 5 years.
DEmp	Almost invariably staff have relevant line management experience before reaching Grade 5-7 position in CIR Services. In planning career moves aim is to develop a blend of managerial and policy experience with professional CIR skills. In computing and accounting areas the emphasis on professional/specialist experience may be more marked than for other CIR Services.
DEn	No formal succession plans for CIR functions. Have preference for informality and flexibility is necessitated by being from being a small department.

DOE	Department's policy to recruit from the line and retain for a maximum of 5 years. (Computing operation specialists excepted). Tours in Internal Audit are limited to 3-4 years.
ECGD	Consideration is in progress. It is accepted that senior CIR managers It is accepted that senior CIR managers should have line experience and most already have.
FCO	Line management experience is not a problem. The difficulty is rather keeping CIR staff long enough to develop experience as practitioners. Steps are being taken to update Audit staff in line management.
For. Comm.	Normal tours of duty are 5 years. Specialists are recruited from line management and return to the line. Exceptions are made for those with highly specialised skills (eg Economists, Statisticians.)
GCHQ	It is the aim to give people tours of about 3 years in Management Services, about 4 years in Staff Inspection, and 4-5 years in Internal Audit. It is policy to fill posts from the line.
HSE	Staff are moved in and out according to normal career patterns. Senior staff will almost certainly have line management experience.
Health & Social Security	There are not as yet formal succession plans for senior CIR posts. That senior CIR staff should have line management experience has been adopted as a general principle.
HMSO	Career plans, reviewed quarterly, exist for all Internal Audit staff. Career span 4-6 years. These career plans are to be extended to Manpower Branch and Management Services.

HO	Staff for Staff Inspection, Internal Audit and O&M are recruited from the line. It is also policy that they spend 3-5 years before returning.
IR	Most staff do not stay more than 5 years before returning to the line. Exceptions are OR and, to some extent, Internal Audit where specialists who wish to remain within IA in effect now have an option of an interdepartmental Whitehall career in IA and departments cannot sensibly withhold the opportunity to stay with IA. But still a good case for auditors to spend a period in management to return to audit at a later stage.
IBAP	This is fitted into the joint departmental career development arrangements with MAFF. Achievement is restricted by the Board's size, structure and location.
Land Reg.	Its importance is recognised and is very much in mind.
LCD	Succession plans exist for Grade 5 and some Grade 7. Future plans will take account of the need for line experience.
MSC	As a general policy it is regarded as important that CIR staff have both line management and operational experience and that their stay on CIR is time limited. This is seen as easier to achieve in Staff Inspection and Management Services than in the more professional areas such as Accounting, Audit and Psychology.
MOD	Formal succession plans are in place for two senior posts in CIR. Senior CIR staff are drawn from different areas of experience. 3-4 years is a normal tour of duty.
Nat. Savings	Managers of CIR services will already have had line management experience. Audit staff are selected for their professional experience but for the longer term it is intended that qualified auditors will undertake tours of duty in line management.

OPCS	This is departmental policy. No members of present Internal Audit, Management Services or Financial Management have been in post 5 years. The heads of each unit have had line experience.
OS	A well developed system of grade management enables easy identification of officers suitable for future posting to CIR. Most staff have line management experience.
PGO	Policy is to move CIR staff after 5 years back to the line. Senior posts in both Management Services and Audit have line management experience.
PSA	Any posting in the CIR area is normally up to 5 years. Career development seeks to ensure CIR activities are staffed by persons with immediate past experience of line management.
SO	Personnel managers take care in vetting the line management experience of officers put forward for CIR work.
Trade & Ind.	A good two-way flow is achieved between CIR and line management.
Transport	Continued interchange between CIR services and the line is seen as important. Management Services Grade 7 staff recruited from the line serve a 3-5 year period. It is accepted that senior CIR staff need line management experience.
Treasury	It is personnel policy to post specialists to generalist jobs. This will, over time, mean an increasing number of Treasury line managers will have CIR skills. Senior CIR staff will have built up considerable line experience before embarking on a posting within the CIR area.

Welsh Office	It is a matter of policy that all senior Management Services and Staff Inspection staff have line management experience.

YARDSTICK 7

Plans for CIR skills to be taught to line managers.

MAFF	Training effort has so far concentrated on the specialists themselves. Wish to define Training need before enlarging O&M training for line managers. Investment Appraisal is currently provided for the line by means of seminars. Not considered feasible to teach Staff Inspection, Audit or Information Technology skills for the line but some line managers have previous experience in these areas..
CO	It is proposed to produce a "Do-it-Yourself" kit containing guidance on O&M, grading information etc. Departmental Training Officer is reviewing training needs.
COI	CIR staff are preparing a programme to include principles of control of manpower numbers within resource budgets and dissemination of Treasury grading guidance standards.
C&E	This is at an early stage. Review of FMI training requirements will take account of this need. Admin ACs and their support are already given additional training.
DES	CIR staff are actively involved in various FMI courses including seminars on FMI. Financial awareness programme, special course for staff carrying out financial management surveys of NDBPs, and courses in investment appraisal.
DEmp	"Guide to Grading" produced and issued to Budget Officers to hep in carrying out new delegated authorities. Consideration being given to including Management Services skills in existing Departmental training courses, and using such courses to improve insight into audit work.

DEn	An integral part of the department's training strategy. Financial management is a major part of a week long "Management of Resources" course.
DOE	Two courses have been designed to give financial managers of programme expenditure an understanding of FMI, including delegated financial functions. Finance Division co-ordinate these courses and provide speakers on such subjects as performance indicators and project appraisal. Over 400 middle and junior line managers have received financial management training.
ECGD	Plans will be defined when the CIR recruitment programme is complete.
FCO	Main priority has been to teach CIR staff skills to CIR staff, but have circulated detailed self inspection questionnaire to help line managers analyse the way tasks are performed and how procedures and structures may be streamlined.
For. Comm.	Skills are taught in general management courses. Groups of operatives and managers are often trained togehter and included in their training are appropriate analytical skills and monitoring procedures.
GCHQ	Staffing policy spreads CIR skills as effectively as formal programme of training. Delegation of some responsibility for develoment of complement has brought need for line mnagers to take some grading decisions previously done centrally. Progress here will be closely monitored.
HSE	Audit Section are currently working to produce a guide to grading for line managers.

Health & Social Security	A pilot course teaching Management Services skills to line managers has been run. This will be repeated then evaluated for wider application. Departmental Staff Training are investigating, with the CS college whether CIR training courses for managers might be started.
HMSO	Have no direct plans to teach CIR skills to line managers.
HO	Knowledge and experience is transferred through CIR staff working alongside line management.
IR	It is recognised that managers need to acquire certain basic skills so that the Centre is not overburdened by unnecessary requests. Steps taken include the production of computer software to help non-specialists project vacancies at clerical level in tax offices. Seminars for line managers on quality control and a course for office managers on basic O&M.
IBAP	Senior line managers are members of the Board's Computer Development Group and other line managers are chairmen or members of User Groups passing on of other CIR skills will be considered later.
Land Reg.	A programme of Management Development and Budget Centre management courses is run internally.
LCD	General training of line managers has not extended beyond giving general appreciation of services available. But line managers are frequently seconded to CIR project teams.
MSC	Work is in hand to conduct a needs analysis and devise an appropriate training programme. Grading guidance has been issued to budget holder. Central modules are conducted on O&M for line managers.
MOD	Introduction of responsibility budgets has involved CIR staff in assisting with budget setting and giving advice to managers on how best to utilise their resources within their budget frameworks.

Nat. Savings	Plans have been prepared for middle level staff to be given training in basic introduction to CIR skills by experienced staff. First line managers will receive equivalent similar instructions.
OPCS	Has no plans to impart CIR skills to line managers.
OS	A session on the Middle Management Course covers what CIR can do for managers and how they can help themselves. Other skills are imparted through normal management training.
PGO	Every SEO with line management responsibilities and all Grade 7 and above have Management Services, Computer, or Audit experience.
PSA	PSA has chosen to concentrate deliberately on IT. This strategy envisages the training of all line mangers in the use of the new systems.
SO	Staff of Scottish Office Efficiency Unit speak regularly at developmental courses. Plan to continue FMI training to help line managers operate effectively within context of delegated budgeting.
Trade & Ind.	A number of initiatives are under way, including help with use of performance measures and branch and section planning systems. A revised resource management module has been introduced to the Senior Management Training Course which emphasises role of CIR services in supporting line managers efforts to secure better value for money.
Transport	Assignment officers "coach" line managers on any assignment under 5 days. Other training for line management has concentrated on financial management appreciation.

Treasury	The personnel policy of moving specialists to line management posts should ensure, over time, that line managers will have the requisite skills.
Welsh Office	Presently in the process of issuing line managers with abbreviated grading guidance. Have also circulated the Government Accounting Self-Instruction Package.

GLOSSARY OF TERMS

MAFF	Ministry of Agriculture, Fisheries and Food
CO	Cabinet Office
COI	Central Office of Information
C&E	HM Customs and Excise
DES	Department of Education and Science
DEmp	Department of Employment
DEn	Department of Energy
DOE	Department of the Environment
ECGD	Export Credits Guarantee Department
FCO	Foreign and Commonwealth Office
For. Comm.	Forestry Commission
GCHQ	Government Communications Headquarters
HSE	Health and Safety Executive
Health and Social Security	Department of Health and Social Security
HMSO	Her Majesty's Stationery Office
HO	Home Office
IR	Inland Revenue
IBAP	Intervention Board for Agricultural Produce
Land Reg.	HM Land Registry
LCD	Lord Chancellor's Department
MSC	Manpower Services Commission
MOD	Ministry of Defence
Nat. Sav.	Department for National Savings
OPCS	Office of Population Censuses and Surveys
OS	Ordnance Survey
PGO	Paymaster General's Office
PSA	Property Services Agency
SO	Scottish Office
DTI	Department of Trade and Industry
DTp	Department of Transport
Treasury	HM Treasury
WO	Welsh Office

Imp/17

SUMMARY FOR THE PRIME MINISTER

CONSULTANCY, INSPECTION AND REVIEW

This note summarises the results which have been achieved in the 21 months since the Efficiency Unit's report on the Consultancy, Inspection and Review Services (CIR).

Progress in Departments

2. On the whole, most departments have made reasonably good progress; and it has been reinforced by the further development of their budgetary control systems in line with the recommendations of the Multi-Department Review of Budgeting. (We shall be reporting more detail about this in December).

3. For convenience, we report against the yardsticks which the Chief Secretary identified in his letter of 17 February. We found it a useful exercise to grade departments' responses against each yardstick. "A" means that the department provided good, robust examples which indicated fully satisfactory progress. "B" means that the answer was reasonably satisfactory, though not quite measuring up to the yardstick. "C" means that the answer was weak. These judgements are obviously subjective, but they do give a clearer picture of how well departments have been progressing. The following table shows the breakdown of grades for each yardstick.

Yardstick	A	B	C
1. A clear message to line managers about their value for money responsibilities.	14	13	5
2. Evidence of line managers initiating improvements in value for money.	13	16	3
3. CIR assistance being sought by and effectively given to line managers to improve value for money.	17	12	3
4. Quantification of costs and benefits of CIR assignments, and subsequent checking.	13	16	3
5. a. Better direction and focussing of CIR by top management.	17	13	2
b. Some multi-disciplinary working.	11	9	12
6. Succession plans to ensure that senior CIR staff have line management experience.	6	20	6
7. Plans for CIR skills to be taught to line managers.	6	17	9

The main areas where progress has been made are:

- more attention is being given to using the CIR services to best effect. CIR services are better organised and co-ordinated, and more responsive to the needs of line managers. Line managers are being actively encouraged by some departments to seek better value for money, and are doing so.

- publicity for the CIR services is much better

- quantification of costs and benefits of assignments has improved, and some departments have conducted post-implementation checks of what has actually been achieved.

- CIR training is being widened in scope

- Most departments have done some multi-disciplinary work.

As the table shows, however, there is still scope for further improvement.

Progress at the Centre

4. As we reported last year, the organisation of the central CIR services is not ideal, with the services split between two departments and five Grade 3 or above commands. But reorganising the CIR services at the centre cannot sensibly be done without looking at the whole organisation of the two departments. Nevertheless, there are now better co-ordination arrangements; the top management of the two departments has laid down priorities for the services; and it regularly reviews the cost, coverage, and (where possible) expected results of central CIR. Some multi-disciplinary working is done. The College has improved CIR training; and staff inspection training is being widened to include running costs.

Conclusions

5. The task of implementing CIR is not fully completed, although almost all departments have made progress. From now on, however, we suggest it would be sensible to integrate the further work on CIR into departments' work on budgeting. This will enable us to keep up the pressure on departments to move further towards the concept of co-ordinated CIR services, working to help line managers and top managers achieve better value for money through their budgetary control systems. The main things on which we will look for further progress are:-

- top management focussing better the work of their CIR services

- further multi-disciplinary assignments, and the results

- further training in CIR skills being given to line managers, and reports of the experience departments have of managers putting those skills into practice

- the outcome of their reviews of the organisational arrangements for internal audit.

We will also need to report on:

- the review of the Treasury's Staff Inspection guidelines

- how effective the arrangements for co-ordinating the work of the central CIR services have been.

6. We propose to report again in December 1987, as part of the progress report we have undertaken to produce on budgeting.

Valerie Strachan

Barrie Morris.

VALERIE STRACHAN
BARRIE MORRIS

29 OCTOBER 1986

GOLT MACH

RAYNER

PT 22

FILE CAJ

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

18 November 1986

SOCIAL SECURITY VALUE FOR MONEY SEMINAR

Thank you for your letter of 17 November. There will be no problem with your officials setting up the equipment for this. Once the date is firm could you please contact Peter Taylor on 930-4433 and he will look after the detailed arrangements.

P. A. BEARPARK

Andrew Brant, Esq.,
Department of Health and Social Security

L

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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

Telephone 01-407 5522

From the Secretary of State for Social Services

Andy Bearpark Esq
Private Secretary
10 Downing Street
London SW1

17 November 1986

Dear Andy,

BAH

SOCIAL SECURITY VALUE FOR MONEY SEMINAR: 26 November 1986

Further to our telephone conversation last week concerning the above seminar, you asked if I could provide you with some details of the equipment to be used and the time it would take to set it up.

I now attach a note prepared by officials in this Department which I hope will give you all the information you require, if you need any more details please let me know.

Yours sincerely

Andrew Brant

ANDREW BRANT
Private Office

1) Charles Fountain None from my side
2) Peter Taylor. ✓ when the date & time is known it will be better for these people to contact me directly and I will deal with it. DF 18/11/86

Enc

The date for this seminar is to be changed but the request to set up this equipment will doubtless still arise.

Any questions ?

PBB 17/11

Andrew Brant
D712
AFH

PRIME MINISTER VFM SEMINAR: 26 NOVEMBER 1986

Following our telephone conversation this morning, I list below the equipment that will be needed to provide the Secretary of State with computer generated graphics to illustrate his presentation on 26.11.86.

1	IMB P.C. System Unit
1	Colour display unit (graphics read-out)
1	Mono display unit (systems commands)
1	27" Barco TV monitor
1	Multiplex (multiple outlet for monitors)
1	Remote control unit (to allow Secretary of State to advance the screens)
	Connecting cables for above
1	35mm transparency monitor (contingency to any failure)
	Associated floppy disc and 35 mm transparencies for presentation.

As I have already stressed, at least an hour and a half should be allowed to set the equipment up. The process involves unloading the transit cases, transporting them to the designated room at No. 10 and unpacking them. The entire system must then be set up with all leads screwed in, bound and taped for safety reasons and to prevent accidental disconnection during the seminar. The graphics programme must then be run through and tested for possible transportation damage and time must be allowed to correct irregularities. We intend to take a 35mm transparency monitor as a continguency to any failure of the P.C. system. This must also be set-up and reviewed, and further time will be necessary for this procedure.

I trust there will be no problems on the day and time must be allowed for the methodical setting up of the system by Derrick Horslen and myself.

Terry Martin

TERRY MARTIN
OSD
Room 313, Ray House
Ext 3008

17 November 1986

Mr Healey
Mr Thorpe
Mrs Kempster
Mr Horslen
0202H

CCBG

nbpm

SECRETARY OF STATE FOR ENERGY

THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Great George Street
LONDON
SW1P 3AL

7 November 1986

Pt 21 att.

Thank you for sending me a copy of your letter of 24 October to Douglas Hurd together with a copy of the first progress report on the implementation of the Multi-Departmental Review of Accommodation.

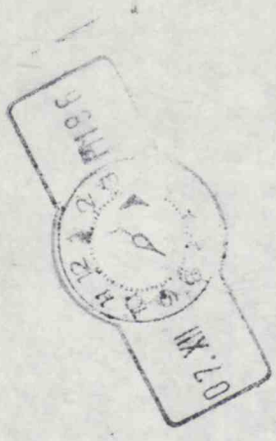
It is gratifying that the Report gives special mention to the efforts of the Department of Energy in 1985/86 when we were responsible for over 40% of the net savings on accommodation achieved across the estate. Not surprisingly our aims were more modest this year, but I am pleased to tell you we successfully achieved our targetted savings of £235,000 by 30 September. The Energy Manager for my Department has been asked to seek a further 10% saving on the Department's electricity consumption this year, the same target he achieved last year. We shall continue to look for further economies where these are practicable.

You refer to the Prime Minister's concern about the poor state of the working environment of many civil servants. I am glad to see that you advocate applying running costs savings to improving the working environment. I am sure staff will be better motivated to make savings if they see some benefit in this area, a point made in the report on contracting out recently circulated by John MacGregor.

I am copying this to recipients of yours.

PETER WALKER

GOVT. MACH: Raynes: Pt 22



FILE CAJ

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

6 November 1986

SCRUTINY OF AGENCY BENEFITS

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

I would be grateful if you could provide for the Prime Minister a short note outlining the main components of the savings and when they are expected to be made. The note should bring out the nature of changes which would be necessary to the rules governing exemptions or refunds for prescription charges.

N. L. WICKS

Tony Laurence, Esq.,
Department of Health and Social Security

ECL

CAJAJE

cc: CD Lancaster
Mr Patten (ODA)
Att. General
Lord Advocate's Dept.
Paymaster General
Lord Chancellor
FCO
Ch/Ex
HO
DES
D. Energy
D. Employment
D. Transport
DOE
DTI
MOD
S/S Wales
S/S Scotland
DHSS
NIO
MAFF

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

5 November 1986

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 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 and Industry 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 Private Secretaries to all Ministers in charge of Departments, to Mr. Luce, Sir Robert Armstrong and Sir Robin Ibbs.

N. L. WICKS

Stephen Boys Smith, Esq.,
Home Office

CCBG

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-~~930 7822~~ 218 2111/3

MO 2/2/6

4th November 1986

CF
cc Miss K. Jenkins
Efficiency Unit

tpa.

NLW
5.11

Dear Nigel.

FILE WITH NLW

Thank you for your letter of 28th October about action plans for the 1985 Ministry of Defence scrutinies.

The action plan on Ammunition Procurement has now been approved and a copy sent to the Efficiency Unit. The Naval Ship Acceptance Procedures action plan should also be approved this week.

We very much regret the delay and are taking steps to avoid its repetition.

Yours sincerely,

John Howe.

(J F HOWE)
Private Secretary

N Wicks Esq
No 10 Downing Street

05 F

GOUTMACH

RAYNER

PT 22

Prime Minister
Sir Robin is coming to give you a preview of the outcome of this Scrutiny
NLW
26.1

EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412
Direct line : 01-233

IMPROVING MANAGEMENT IN THE CIVIL SERVICE: STUDY PLAN

Background

1. The Prime Minister has asked the Efficiency Unit to conduct a scrutiny to identify what needs to be done to bring about further improvements in efficiency and management throughout the civil service. In commissioning the scrutiny, the Prime Minister recognised that much had been done in recent years to improve management and efficiency. Her view was that the need now was to build on those achievements and maintain and where possible accelerate the momentum of improvement.

Terms of Reference

2. The terms of reference are:

- to assess the progress achieved in improving management in the civil service

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

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

- to report to the Prime Minister on what further measures should be taken.

Methods of Working

3. The study will be divided into three main stages. In the first stage the team will explore the questions posed in the terms of reference by talking widely with civil servants across the range of levels and departments within the Civil Service. The team has had a number of informal meetings to establish a first list of the issues which are relevant. These have included:

-the pace of change

- relationships between central departments and other departments

- communication and delegation within departments

- the central management of the civil service

- the changing role of Ministers and civil servants as the tasks of civil service change

- the effectiveness of personnel management

- the relationship between policy and management

4. The second stage of the study will concentrate on the areas which seem to be of most significance in the light of the first stage discussions. The team may do a number of specific studies to test the issues raised. The third stage will be discussions of emerging findings and writing a report for the Prime Minister.

Timetable

5. The timetable for the scrutiny is:

November 1986	Stage I:	Initial discussions
December 1986	Stage II:	Examination of main issues
mid Jan 1987	Stage III:	Emerging findings
end Feb 1987	Report	

Scrutiny Team

6. Sir Robin Ibbs will supervise the scrutiny. The team for Stage I is Kate Jenkins, Karen Caines and Andrew Jackson. Other members of the Unit will join in the second stage.

Efficiency Unit
November 1986

file BM

bc: RJ. Griffiths.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN IBBS
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 bring about further improvements in efficiency and management throughout the Service.

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.

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

N.L.W.

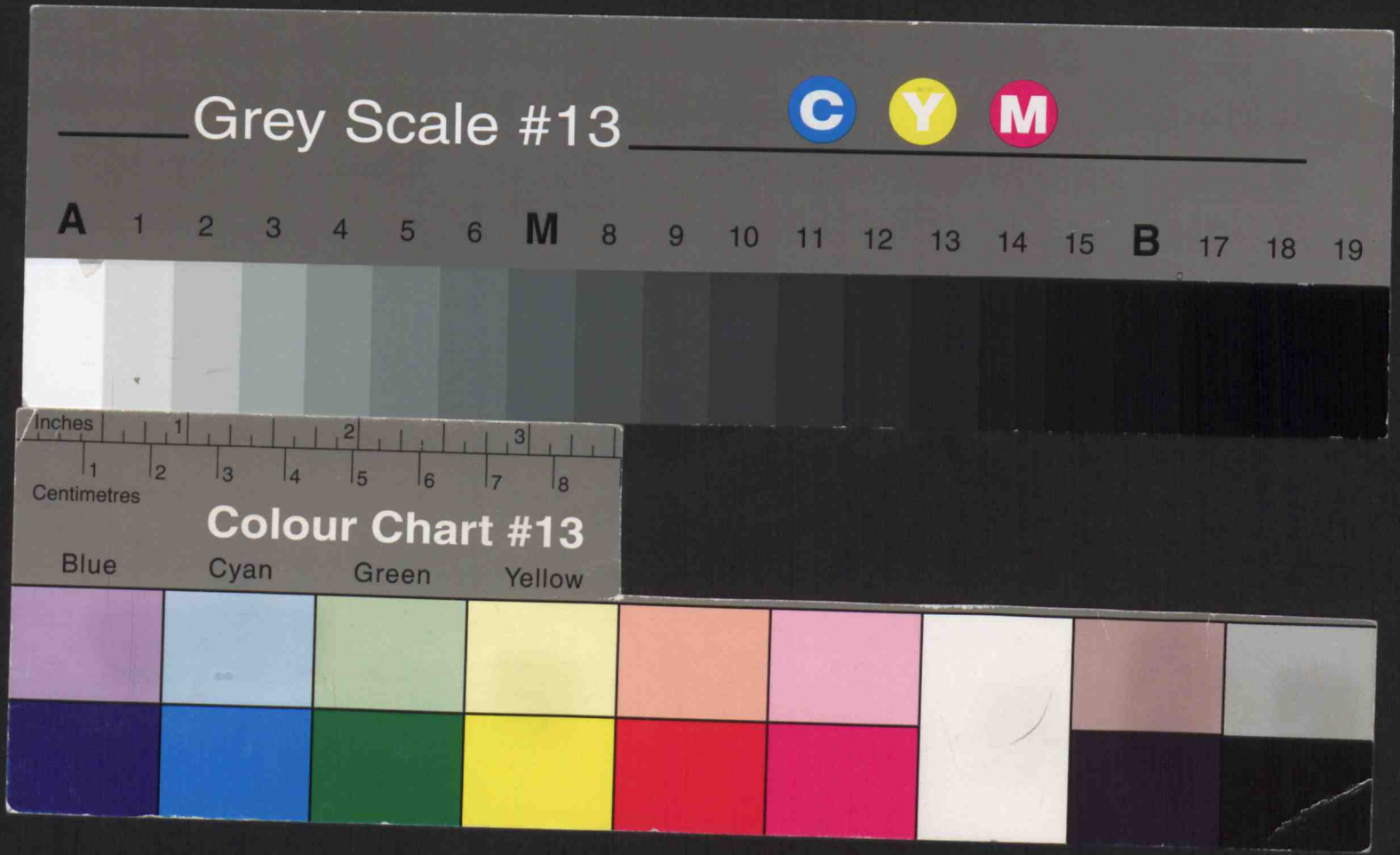
N.L. **WICKS**
3 November 1986

PART 21. ends:-

MPO to NLW 31/10/86

PART 22 begins:-

NLW to SIR ROBIN IBBS 3/11/86


Grey Scale #13
C
Y
M
A 1 2 3 4 5 6 M 8 9 10 11 12 13 14 15 B 17 18 19
Inches
1 2 3
1 2 3 4 5 6 7 8
Centimetres
Colour Chart #13
Blue
Cyan
Green
Yellow

END