PREM 19/2206

The Rayner Programme
Promotion of Efficiency and Waste
The Scrutiny Programme
[Attached folder: "Improving Management: The Next Steps – Outline Schemes for Possible Agencies"] Published Paper: destroyed - See note on file

GOVERNMENT MACHINERY

Part 1: May 1979
Part 26: 15 January 1988

PREM 19/2206

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~15.1.88~~							
~~21.1.88~~							
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~~19.2.88~~							
~~23.2.88~~							
26.2.88							
PART ENDS							

Material used by official Historian
DO NOT DESTROY

PART 26 ends:-

NUW to DEmp 26.2.88

PART 27 begins:-

Sir R Ibbs to PM 4.3.88

Published Papers

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

1. House of Commons Hansard, 18 February 1988, Columns 1149 - 1156 "Civil Service Management"

2. House of Lords Hansard, 18 February 1988, Columns 765-775 "Civil Service: Management Reforms"

3. Efficiency Unit Report to the Prime Minister: "Improving Management in Government: The Next Steps" HMSO 1988 [ISBN 0 11 430026 7]

Signed A Wayland Date 27 October 2015

PREM Records Team

RESTRICTED

File DA

10 DOWNING STREET

From the Principal Private Secretary 26 February 1988

Dear Peter,

Just to confirm my conversation with you this morning in which I asked that my letter of yesterday to Nick Wilson on the Value for Money Seminar should be given a restricted circulation within your Department.

I am copying this letter to Jill Rutter (Chief Secretary's Office), Trevor Woolley (Cabinet Office) and to Sir Robin Ibbs (Efficiency Unit), and ask them to act similarly.

Yours ever

Nigel Wicks

(N.L. WICKS)

Peter Baldwinson, Esq.,
Department of Employment.

RESTRICTED

SUBJECT cc MASTER

CONFIDENTIAL

file EL3C09

bc: Mr Stredder

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

25 February 1988

Dear Nicholas,

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT GROUP

Your Secretary of State, accompanied by the Permanent Secretary, made a presentation yesterday to the Prime Minister on value for money in the Department of Employment group. Sir Robin Butler, Sir Robin Ibbs and Miss Kate Jenkins (Efficiency Unit) were also present.

Your Secretary of State based his presentation on some charts circulated at the meeting.

The following points were raised in discussion about the charts:

(i) The Prime Minister asked about the Department's action if someone in receipt of unemployment benefit failed after a Restart interview to take up the suggested training course or dropped out during the course. The Secretary of State confirmed that this was a problem of particular concern to the Department; in London and the South-East up to 80 per cent of those for whom training was suggested failed to turn up for their course. The Department were tackling this problem by involving claimant advisers and the training agents. He agreed that there would come a time when the person concerned would be deemed not to be available for work if he consistently refused training. Existing legislation allowed the Adjudicating Officer to come to such a decision. There was not a lack of legislative powers in this area, but the system for follow up action needed improvement. The Prime Minister commented that there had to come a point when those refusing training had to work or lose benefit.

(ii) The Secretary of State and the Permanent Secretary pointed out that expenditure for Restart, availability testing, claimant advisers, fraud investigators and other Departmental initiatives fell on the DE vote, while the savings in public expenditure achieved by their efforts often accrued to the DHSS. A further disincentive for the

DAS

Department was that the running cost regime inhibited them from spending money on such initiatives since the consequent public expenditure savings in programme expenditure were not credited against running costs. The Department hoped that the financial arrangements for the Employment Service agency would remove this inhibition so that they could devote more resources, for example, to the combating of fraud and thus reduce public expenditure generally.

(iii) The Prime Minister asked about the entitlement of Land Rover workers to unemployment benefit if they found themselves out of work as a result of their current strike. Would they be regarded as having made themselves voluntarily unemployed and thus ineligible for unemployment benefit? Your Secretary of State undertook to let the Prime Minister have a note.

(iv) In answer to a question from the Prime Minister about training to meet the needs of the local job market, your Permanent Secretary noted that training was now much more directed to the needs of the local market, as was evidenced by the fact that 90 per cent of training jobs were now with employers.

(v) The Prime Minister asked, in connection with chart J in your Secretary of State's presentation, whether there was an inconsistency between the rapid increase in the number of YTS trainees gaining qualifications (projected to rise from some 23 per cent in 1987/88 to over 70 per cent by 1991) and the much smaller increase forecast in the percentage of young people in work or training after YTS. The chart appeared to suggest that the gaining of qualifications by YTS trainees had little effect on their ability to secure a job or training after their YTS experience. The Secretary of State undertook to consider this point.

Summing up the discussion the Prime Minister said that the Department had made good progress in achieving better value for money in the three years since the first presentation on the Department's expenditure. But she believed there was still further work to be done. It was particularly important for a Department with so large an organisation and substantial expenditure to search unremittingly for improved value for money. The Department needed to set tough targets for more of its expenditure with a much greater emphasis on outputs rather than inputs. The Department should in particular increase the number of strategic value for money targets relating to its expenditure. The establishment of the Employment Service as an agency presented the Department with a great challenge. It would be important for the Agency to be given a rigorous framework with fully quantified targets. When the Agency was being established, consideration should be given to its running cost

regime so that it had greater incentive and opportunity to recruit staff and to devote resources to measures, such as the fight against fraud, which would reduce the unemployment count and thus save public expenditure. More generally, the Department should consider what action it could take to improve the functioning of the labour market; including measures (i) to counter restrictive labour practices (ii) to abolish restrictions on entry to certain jobs (including limits on the number of apprentices); (iii) to reduce the scope of national wage bargaining; and (iv) to remedy the lack of training and education for the existing workforce. She would also be grateful for notes from the Secretary of State on the points referred to in paragraph (iii) above.

I am sending a copy of this letter to the Private Secretary to the Chief Secretary (with a copy of your Secretary of State's charts) and to Sir Robin Butler and Sir Robin Ibbs.

Yours ever,

Nigel Wicks.

(N.L. WICKS)

Nicholas Wilson, Esq.,
Department of Employment.

PERSONAL AND CONFIDENTIAL COPY NO 10

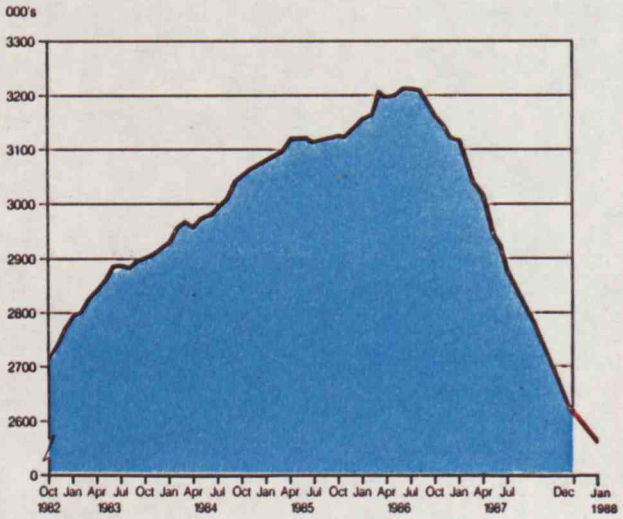
Value for Money Seminar

24 February 1988

Presentation
by
Secretary of State for Employment

Unemployment and Vacancies — An Overview

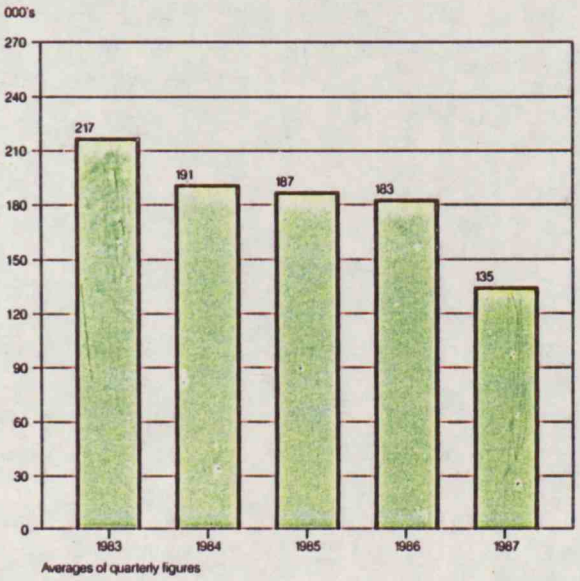
UNEMPLOYMENT: UK: 1982 TO 1987



NOTE:
Seasonally adjusted excluding school leavers

Adult Unemployment Falling

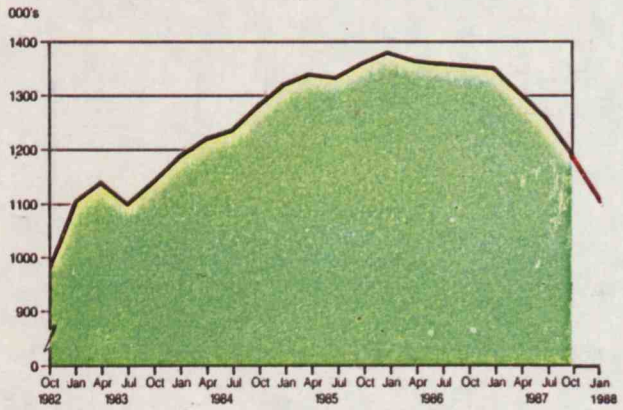
UNEMPLOYED CLAIMANTS UNDER 18: UK



Averages of quarterly figures

Youth Unemployment Falling

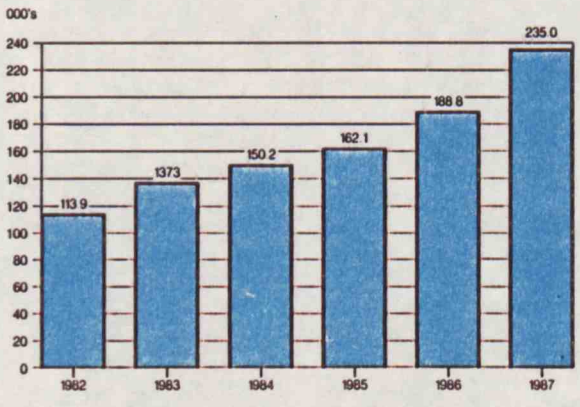
LONG TERM UNEMPLOYED CLAIMANTS: UK



NOTES:
(1) Covers claimants unemployed for 12 months or more.
(2) Figures affected by discontinuities, in particular the 1983 Budget provisions meant some older men no longer needed to sign on to get their benefits.

Long Term Unemployment Falling

VACANCIES AT JOBCENTRES, IN THE UK

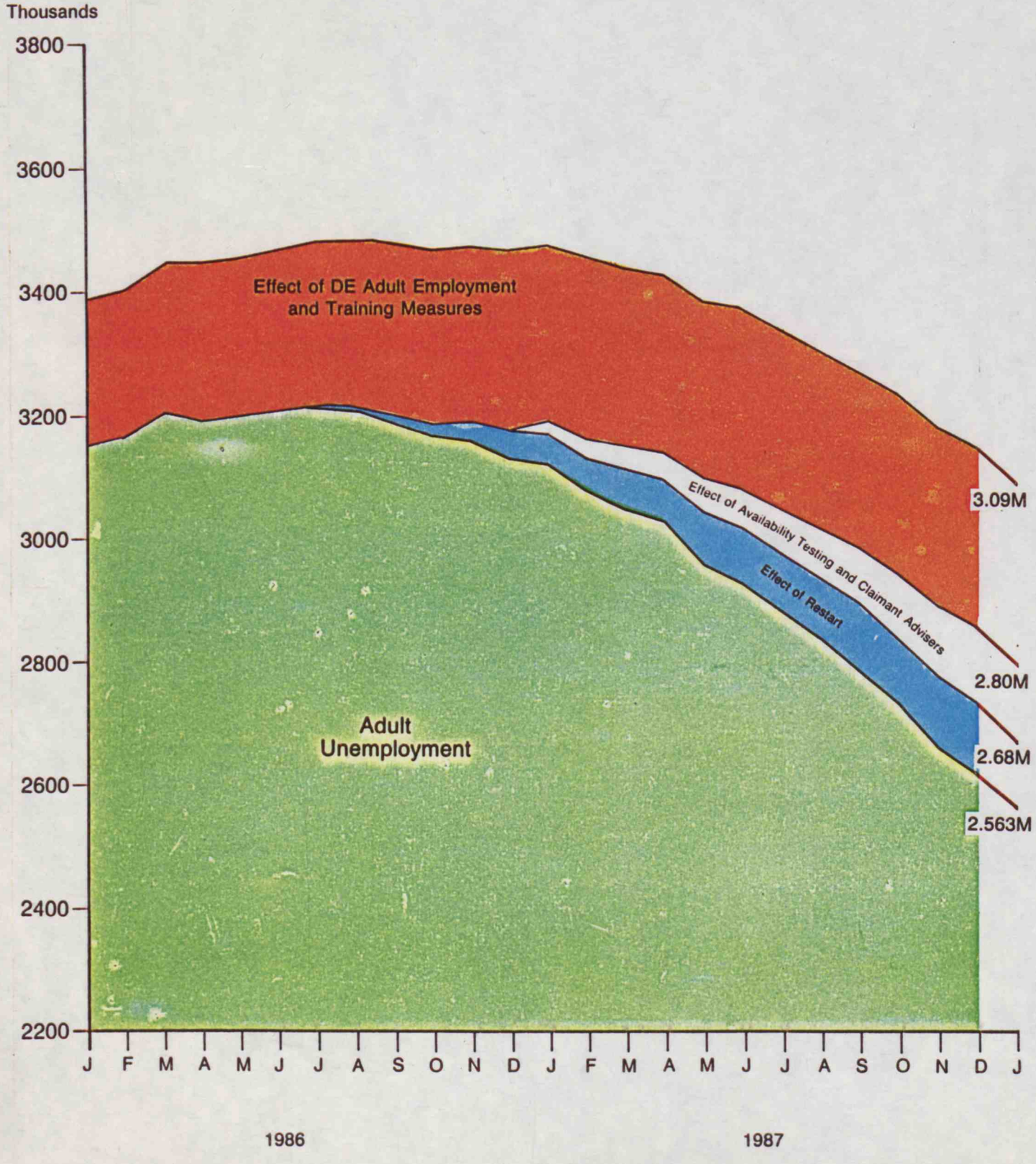


NOTE:
Annual average vacancies remaining unfilled at Jobcentres, excluding Community Programme vacancies

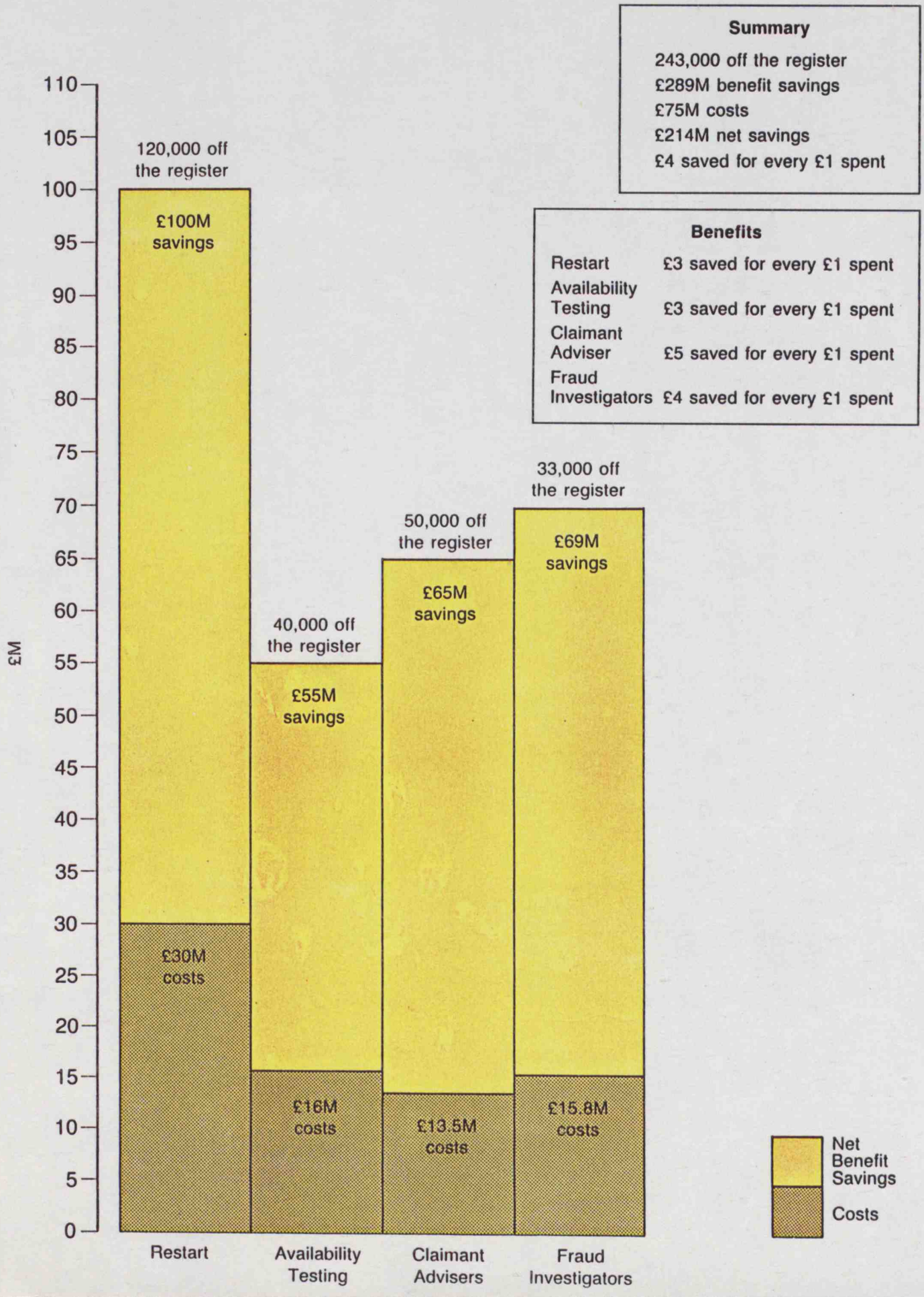
Job Vacancies Rising

Extracts from 'Training for Employment'

Adult Unemployment and DE Measures : UK Estimates



Benefit regime — costs and estimated benefits 1987-1988



Youth (Under 18) Unemployment and Number of YTS Trainees

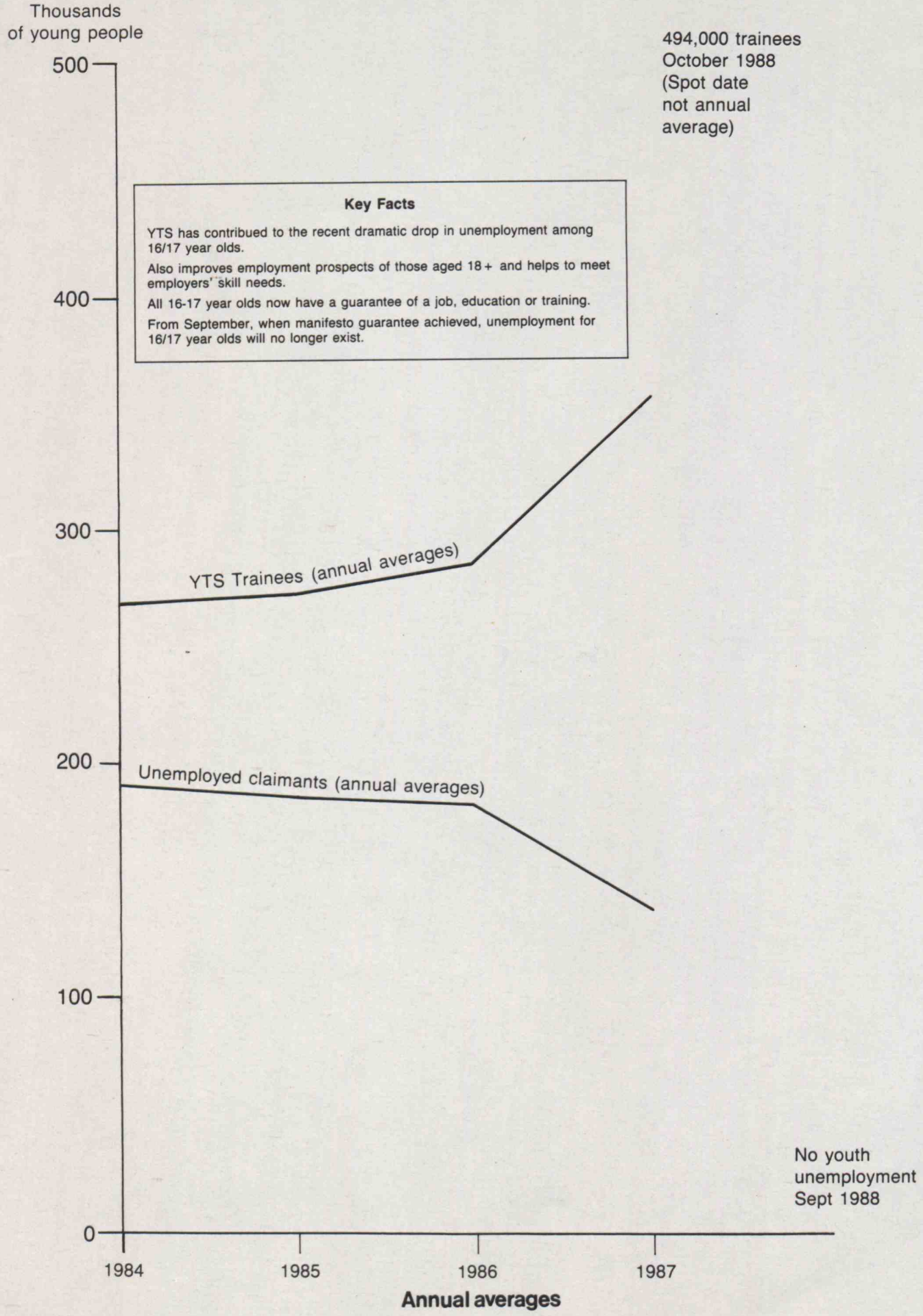
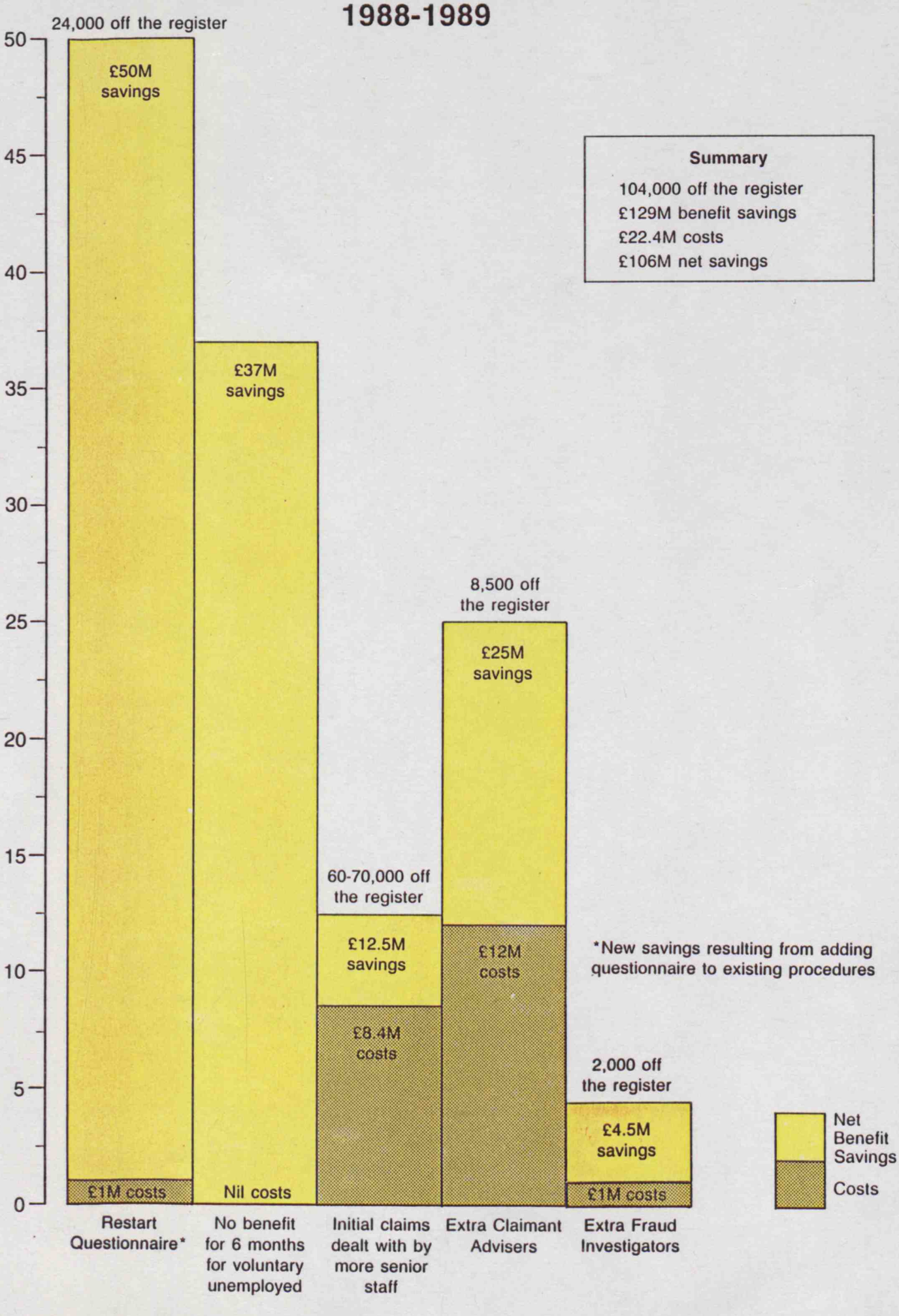


Chart E

Stricter Benefit Regime — New Measures and Projected New Savings 1988-1989



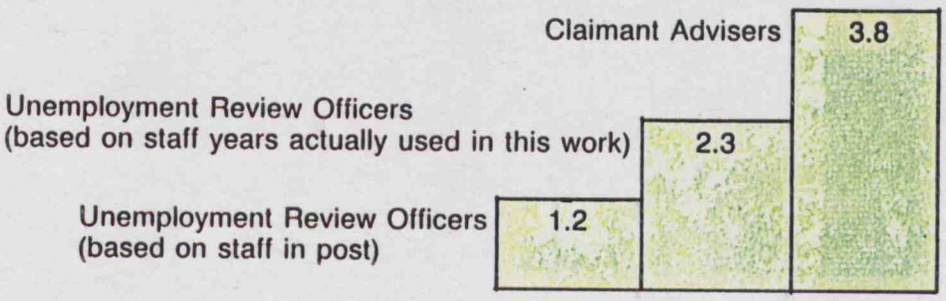
Fact Sheet on Claimant Advisers

Claimant Adviser performance April-December 1987 (39 weeks)

Claimants referred to Claimants Advisers	382,140
Benefit claim closed — left unemployment count	147,488 39%
Referred to other agencies for action	171,510 45%
Other results (claim continuing)	15,308 4%

Claimant Adviser performance in DE compared with Unemployment Review Officer performance in DHSS

Claimants off count per member of staff per week



Notes

— URO data based on year to April 1986 : Claimant Adviser data on 9 months to December 1987

— in DHSS, UROs were employed on other work as well as reviewing benefit claimants, so two sets of data are given. Within DE, Claimant Advisers work solely on reviewing benefit claims

Fact Sheet on the Fraud Operation

		1984-85	1985-86	1986-87 (April-December)	1987-88
1	No of Investigators	450	650	720	785
2	No of Investigations	116500	192000	351000	286500
3	Cost of Fraud Operation	£8.2m	£11.8m	£14.9m	£11.9m
4	Net Benefit Saved*	£11m	£22m	£40m	£40m
5	No of Withdrawn Claims	22500	37500	59500	59250
6	No of Cases where a Benefit Saving achieved	25000	40000	66000	61250
7	Break-even Point (The no. of weeks claimants who have left the register as a direct result of fraud investigation would have to remain off the register before a net saving is achieved)	9.3	7.7	6.0	5.0
8	Investment Return (£s of benefit saved for every £ of costs)	£2.4	£2.9	£3.7	£4.4

* This figure is calculated by multiplying the weekly amount of benefits saved by 22 and subtracting the total cost of the fraud operation. (DHSS research indicated that claimants remained off the register for an average of 22 weeks following fraud investigation.)

The Employment Service: Help with Job and Training Opportunities

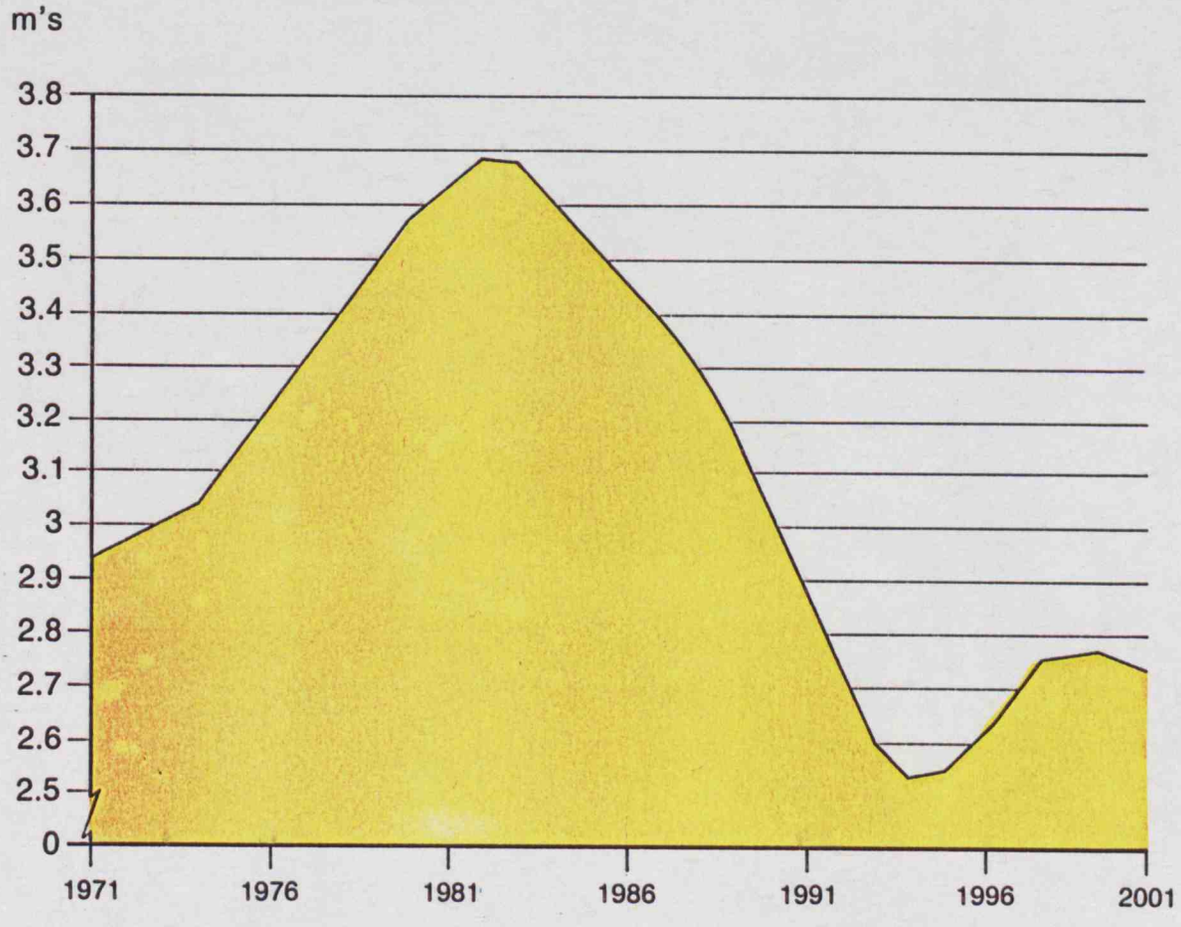
Key Facts

30 million Jobcentre contacts each year

3 million Restart interviews to date (during which around 90% of customers have positive offers)

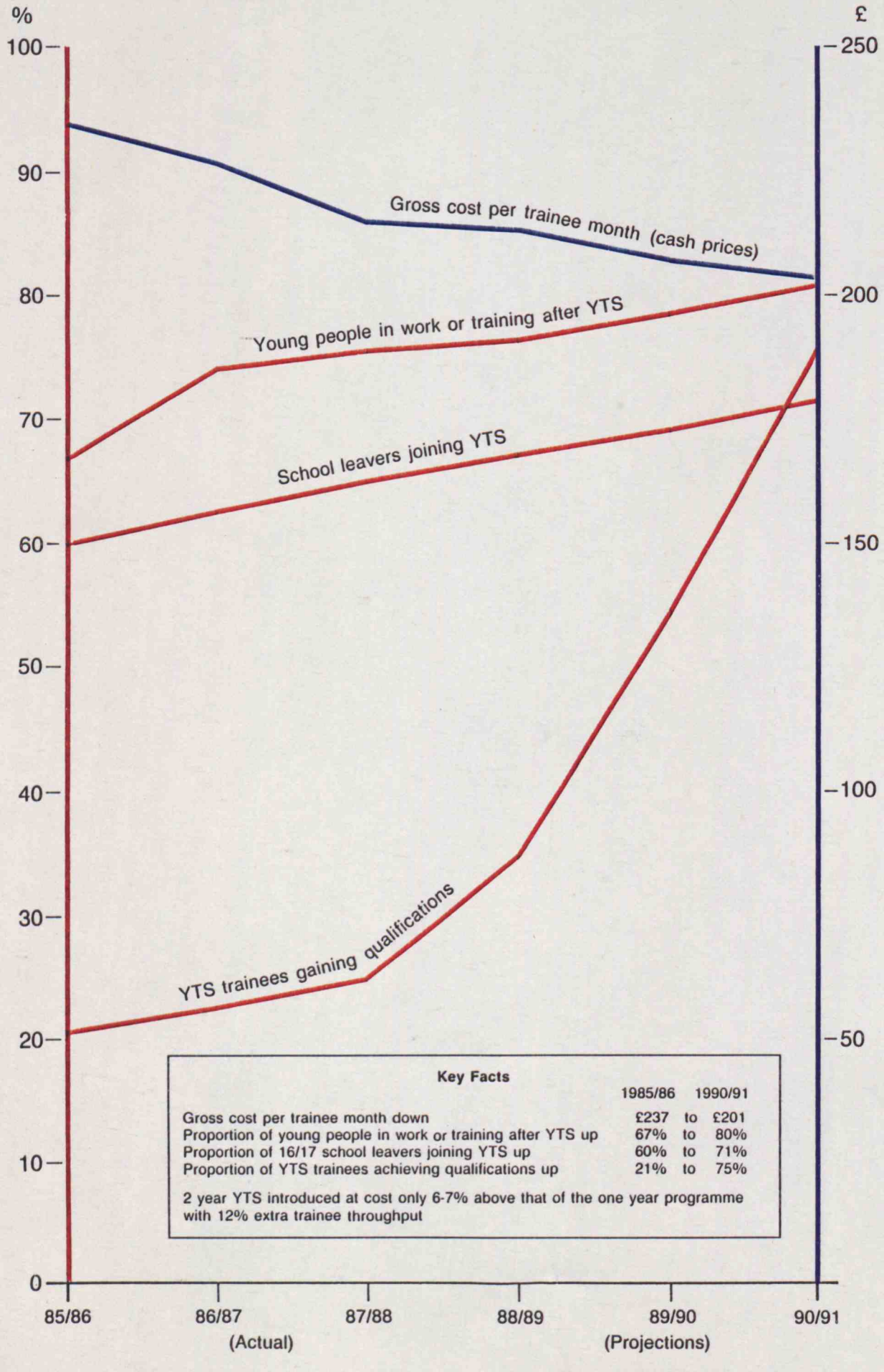
Mainstream services	Special help for the longer-term unemployed
Inputs	**Inputs**
• network of Jobcentres and Benefit Offices	• reaching out to the unemployed
• self-help: information on job, training and other opportunities	• all unemployed people now invited to a Restart interview every 6 months until they leave the count
• advice: available to those who need it	• at the interview, each individual offered practical help in getting back to work
Outputs	**Outputs**
• The Employment Service is an unemployed person's gateway to:	• main opportunities are:
— jobs	— training
— self-employment	— Enterprise Allowance Scheme
— training	— jobs
	— Jobclubs

GB Population Aged 16-19, 1971-2001 (Projected)



Source: Office of Population Censuses and Surveys and Government Actuary's Dept.

YTS — Achievements and Costs 1985-1991

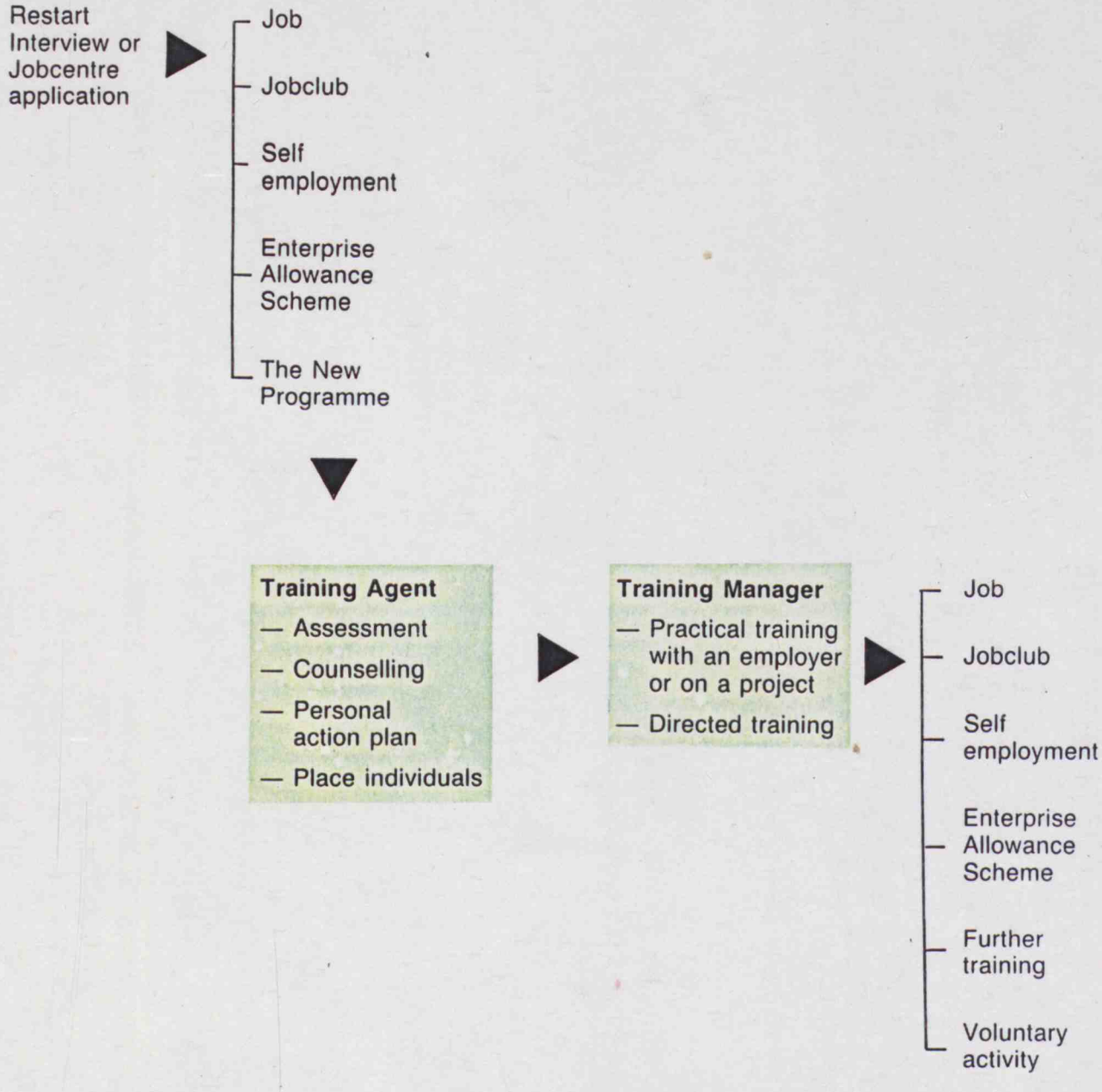


Key Facts

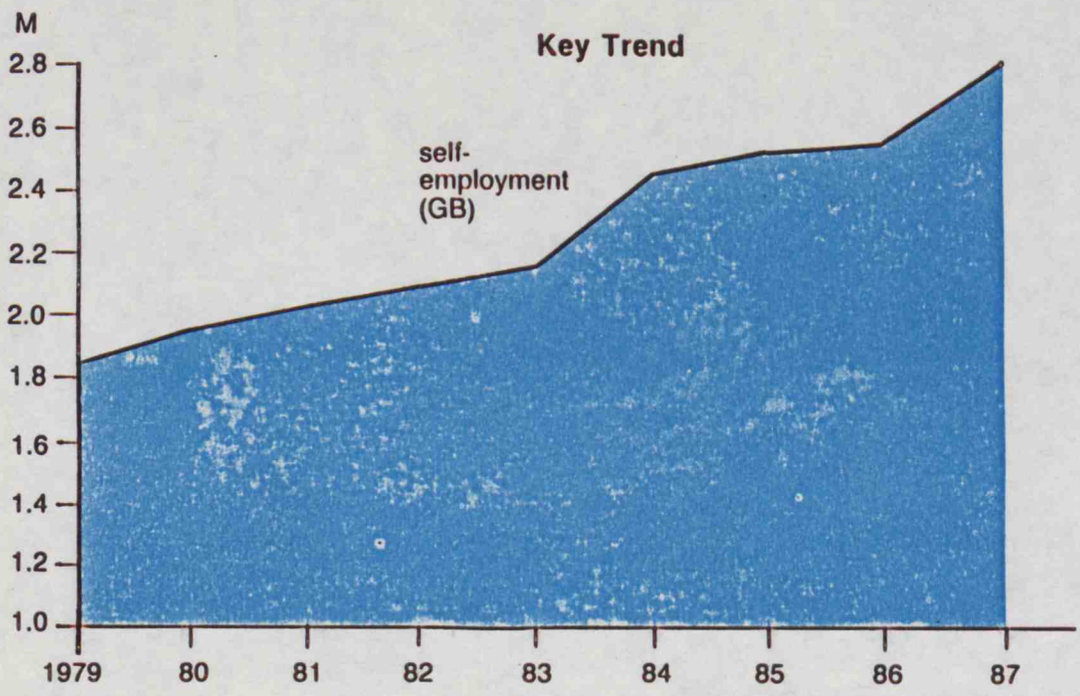
	1985/86		1990/91
Gross cost per trainee month down	£237	to	£201
Proportion of young people in work or training after YTS up	67%	to	80%
Proportion of 16/17 school leavers joining YTS up	60%	to	71%
Proportion of YTS trainees achieving qualifications up	21%	to	75%

2 year YTS introduced at cost only 6-7% above that of the one year programme with 12% extra trainee throughput

Training for Employment : A typical route through the new programme



Enterprise and Small Firms



DE estimates based on Labour Force Survey

Inputs

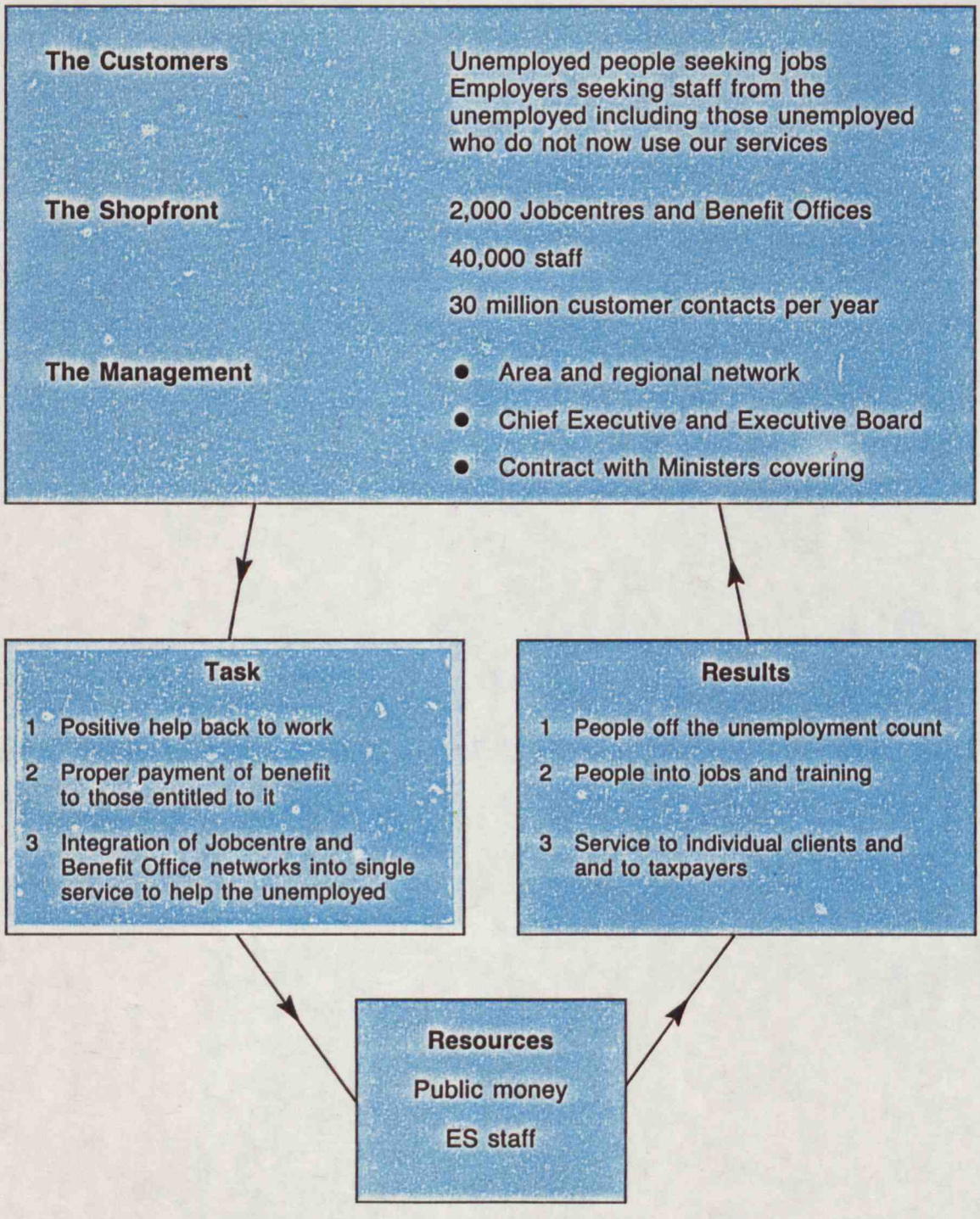
- 102,000 entrants to Enterprise Allowance Scheme 1987/88; 110,000 planned for 1988/89; over 300,000 entrants to date; all get £40 a week instead of benefit in first year of business
- business training and management development supported
- Loan Guarantee Scheme and Prince's Youth Business Trust provide finance for small firms
- Small Firms Service provides advice and counselling - over 280,000 enquiries and 38,000 counselling sessions in 1986/87
- support for Local Enterprise Agencies
- encouraging use of small firms as competitive suppliers
- encouraging enterprise awareness in higher education

Outputs

- these measures have contributed to:
  - 500 extra small firms per week since 1980
  - 1 million more self-employed since 1979: 234,000 in last year alone
- EAS alone had following impact:
  - two-thirds of businesses still trading after 3 years
  - average of 114 additional jobs for each 100 businesses
  - about one-third of participants off unemployment count because of EAS alone.

Next Steps

The Employment Service as an Agency



Private Sector Involvement

Attracting private sector resources

YTS	90% work experience private sector £350m non-Government input estimated
New adult training programme	£150m non-Government input being sought, at least

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Contracting out functions

YTS	externally delivered — over 3,000 managing agents
New adult training programme	to be externally delivered
Jobclubs	over half run by external agents
Internal services	many already contracted out

More programme delivery and internal functions under consideration.

Privatising where possible

PER

Value for Money Targets and Improvements

Many VFM improvements and targets on other charts

Other examples:

TRES (computer terminals in benefit offices)	8% saving: nearly 2,000 staff saved between Jan 1986 and June 1988. Also quicker, more direct and more accessible service for public.
YTS Unit Costs (per trainee month)	1987/88 £214 — 1990/91 £202 — cash prices
New adult training programme Unit costs (per filled place) of project based element compared with Community Programme	1987/88 £5,200 — New programme forecast £4,500 — cash prices
DE Group procurement savings targets	1987/88 £13.6M — 1988/89 £15.3M
Skills Training Agency	VFM savings to result from consideration of its future

PRIME MINISTER 23 February 1988

DEPARTMENT OF EMPLOYMENT: VALUE FOR MONEY SEMINAR

The Department of Employment spends nearly £4 bn a year and through legislation on trades unions, employment protection and health and safety has a major impact on the efficient functioning of the economy. In addition, it administers nearly £7 bn of benefits to the unemployed on behalf of DHSS.

The seminar should be concerned with:

- whether the Department can deliver existing programmes more efficiently;

- what contribution the Department can make to a more efficient economy through

  (a) further deregulation

  (b) training initiatives;

  (c) small businesses and tourism promotion.

Provision of Services

Although the Department is now much more focussed on the importance of motivating and equipping the unemployed to take jobs there is still considerable scope for improvement. You might ask:

- How does the Department assess the effectiveness of particular types of MSC training? What action does it take to remedy deficiencies?

- What is being done to ensure that employers meet the costs of training where this is of direct benefit to them? For example, employers increasingly use YTS as a filtering and training mechanism for young recruits.

- What is being done to improve the quality of Restart interviews which at present, in the 20 minutes allotted, can be superficial?

- What is being done to improve follow up after Restart interviews to ensure that options identified are actually taken up and lead, eventually, to employment?

- Can information technology be used as a means of gathering basic information about clients and undertaking a preliminary sift of options e.g. in Restart?

- Is the revised availability testing sufficiently tough? Could more be done if the statutory framework for adjudication officers (who decide, for example, whether an individual is genuinely available for work) were modernised and toughened with policy responsibility moving from DHSS to DE?

- Is the department looking sufficiently vigorously at the efficiency gains to be captured by merging UBO's and Job Centres? Are managers being instructed to be tough in the face of union demands for adoption of lowest common denominator working practices rather than maximum flexibility?

- What further work is under way to assess the continuing tax and benefit disincentives to work and propose remedies?

Making the Most of People

As well as spending large amounts directly, the DE imposes costs on the economy through the legislation it administers. It can also promote economic benefits through stimulating the development of new businesses and promoting training, the key tasks being:

- an incremental attack on legislative barriers to labour market flexibility;

- continued promotion and development of training and self employment.

In this connection you might ask:

- has Mr Fowler made it clear to his officials that he regards the promotion of an efficient labour market as the most effective way of encouraging employment?

- what further changes are proposed to reduce the burdens of employment protection, health and safety and trade union legislation?

- in particular does he propose to abolish wage councils?

- does he accept that existing employers may well be content with the status quo in these areas because they constitute a barrier to entry by leaner and hungrier competitors? Should their views therefore be discounted in any assessment of options for change?

- what is being done to encourage employers and encourage and enable individuals to take still more responsibility for training?

Conclusion

The Department of Employment has made much progress over the past few years in improving the value for money of its expenditure programmes. But Mr Fowler should not be complacent. There is still considerable scope for improvement and our labour market is a long way from the flexible model of the United States. Continued progress in this area is vital to comtinued economic growth as the continued high rate of growth in pay shows.

Peter Stredder.

PETER STREDDER

CONFIDENTIAL

PRIME MINISTER

DEPARTMENT OF EMPLOYMENT GROUP -
VALUE FOR MONEY SEMINAR ON 24 FEBRUARY AT 3.00 PM

Background and Format

This is the second Value for Money Seminar with the Department of Employment Group. The note of the previous one is at Annex 3. As is usual on these occasions Norman Fowler, supported by Geoffrey Holland, will make a presentation which can then be followed by discussion. Background information on the Department of Employment is given at Annex 1.

Objectives

2. The purpose of the Seminar is to enable Norman Fowler to summarise the Department's achievement so far in increasing value for money and to describe his plans for further improvements. He will need to demonstrate that the targets he is now setting for the main areas for which he is responsible reflect his strategic objectives. He should be encouraged to describe the specific results he is looking for.

3. I suggest that the session should concentrate on how the Department of Employment is managed and how its policies are delivered rather than on the policies themselves. I believe it will be helpful if you emphasise:

a. The importance for a department with so large an organisation and substantial expenditure to search unremittingly for improved value for money.

b. The need to set tough targets with an emphasis on outputs rather than inputs.

c. The need to make solid progress in setting up the Employment Service as an agency with a rigorous framework.

I attach at Annex 2 some possible questions.

Targets

4. So far the Department of Employment has produced few convincing strategic value for money targets. This will be a valuable opportunity for pressing on Norman Fowler the need to target his longer term aims as well as the managerial processes of the Department.

Scrutiny Programme

5. The Department of Employment has a good history of substantial scrutinies. In the last two years they have looked at the Community Programme, the European Social Fund and the Enterprise Allowance Scheme and are planning to look at YTS this year. Another area which should repay investigation is services for the disabled.

Implementation of Next Steps

6. The Department of Employment have proposed the largest agency, the Employment Service, in the first round and are beginning work on setting it up. It is a good area for an agency and will provide valuable experience both for the Department, which has a number of other potential agencies, and for Peter Kemp and his team. You may wish to ask Norman Fowler to give you a presentation later on in the year on the agency, once the framework is established.

7. I am copying this note to Robin Butler.

ROBIN IBBS
23rd February 1988

ANNEX 1

THE DEPARTMENT OF EMPLOYMENT GROUP

Structure

The Department of Employment Group comprises the Department itself (DE) and 3 grant-in-aid bodies: the Training Commission, the Health and Safety Commission (HSC), and the Advisory, Conciliation, and Arbitration Service (ACAS). The DE group employs 62,000 staff, 40,000 in the new Employment Service.

Expenditure

DE Group	1988/89 Projected Expenditure (£m)
MAIN PROGRAMMES	
Training and Employment Measures	
Youth Training Scheme	1,179
Adult training programmes	414
Community Programme	1,054
Technical and Vocational Education Initiative	81
TOTAL	2,728
Labour Market Efficiency	
Employment Service	436
Restart	84
TOTAL	520
Enterprise and Job Creation	
Enterprise Allowance Scheme	228
Tourism	49
Small Firms	32
TOTAL	309

PLANNED MANPOWER 1988/89

DE (including Employment Service)	44,221
MSC	12,379
HSC/E	3,570
ACAS	646

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ANNEX 2

DEPARTMENT OF EMPLOYMENT GROUP: POSSIBLE QUESTIONS

What targets are there for the new training programme to ensure that the training improves employability?

What is being done to improve the value for money from community programme expenditure? Were the results of the scrutiny valuable? How are they being followed up?

What specific value for money benefits are emerging from the expenditure on the technical and vocational education initiative?

What targets are there for outputs on the enterprise and job creation schemes?

What output targets are there for the Department's other significant areas of programme expenditure?

What improvements in value for money are expected from agency status for the Employment Service?

How does Norman Fowler define the results he is looking for from Employment Service staff?

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET

From the Principal Private Secretary

6 June 1985

Dear David,

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT GROUP

The Prime Minister held a meeting with your Secretary of State, your Minister of State and Sir Michael Quinlan at 1615 on Wednesday 5 June about efforts to improve value for money in the Department of Employment group. Sir Robert Armstrong, Sir Robin Ibbs and I were present.

Your Secretary of State gave a presentation about the group's expenditure. A copy of the slides which he used is attached.

As regards administrative expenditure, your Secretary of State said that the group was well advanced on the applying of the financial management initiative and had published a developed set of plans, which would come into full operation this year. The focus of responsibility was at Assistant Secretary level. Reports were made through Sir Michael Quinlan and the senior management group to the Minister of State. Central decisions about the allocation of resources were referred to the Secretary of State. The machinery would be supported by a resource information system which would display the resources account-holders had available to fulfil their tasks. The adoption of these principles had already led to some spectacular examples of local cost-saving. On programme expenditure, the group already had in place a well developed system of annual reviews of the effectiveness of expenditures through the manpower group in which the Treasury, the Department and the MSC took part. In promoting the effectiveness of the MSC programmes, the relationship between the Minister of State and the Chairman of the MSC, with oversight of MSC activities throughout the United Kingdom, was crucial.

Discussion of the Secretary of State's presentation started on the cost of delivering unemployment benefit. The average of £3.20 per fortnightly payments was relatively high because claimants were required to present themselves to unemployment benefit offices and demonstrate that they were available for work, and because safeguards had to be taken against fraud. On the other hand, there was

reason to believe that even these measures were not sufficient to ensure that those obtaining unemployment benefit were genuinely seeking work. Your Secretary of State said that he was undertaking a detailed examination of all those on the unemployment register in the Crawley area and that a campaign against fraud was in progress in the Thames Valley area. He believed that these initiatives would help to identify measures to limit the extent to which claimants could obtain unemployment benefit without genuinely seeking work. He would be reporting to the Prime Minister on this aspect shortly. The availability of benefits to students was being examined separately under the leadership of the DHSS.

Sir Robin Ibbs said that he would like to work with the Department in establishing clear targets to be achieved in obtaining better value for money in the group's programmes over the next three years. A meeting had been arranged to carry this work forward later this month.

Summing up the discussion, the Prime Minister said that effective measures needed to be taken to ensure that those drawing unemployment benefit were genuinely seeking work. The aim should be to ensure that claimants could not avoid work on the grounds that nothing was available to fit their requirements: in the last resort there should always be some work available of the sort provided under the Community Programme, or under 'Workfare' in the United States, which any claimants could be required to undertake, whatever their skills. If your Secretary of State would provide examples to her of people exploiting the system by drawing benefit when they were not genuinely seeking work she would give publicity to them in forthcoming interviews. Attention should also be given to the work permits issued to foreigners to ensure that they did not take jobs which residents were capable of undertaking. On training programmes, it was important to ensure that these were closely directed towards the obtaining of employment and could not be undertaken simply as a form of recreational activity at the taxpayer's expense. On other areas of expenditure, the Department should work with Sir Robin Ibbs on formulating targets for further improvements in efficiency.

I am copying this letter to Sir Robert Armstrong and Sir Robin Ibbs.

Yours sincerely,

Robin Butler

David Normington, Esq.,
Department of Employment

cc b-up
BC

MR WICKS

cc. Sir Robin Butler
Miss Jenkins

DEPARTMENT OF EMPLOYMENT GROUP--VALUE FOR MONEY SEMINAR ON 24 FEBRUARY AT 3 00 PM.

I attach the Prime Minister's brief for the DE Group VFM seminar, now retimed for 3 00--4 30 on 24 February. Sir Robin Ibbs will be available to brief the Prime Minister at 2 40. Copies go to Sir Robin Butler and Kate Jenkins.

JOHN CUNNINGHAM
Efficiency Unit
23 ~~January~~ February 1988

MBK

Prime Minister.

The top 2 pages deal with non-civil service agencies and accountability. The rest is the guidance material that Heseltine drew on.

MEA 22/2

Ref. A088/634

MR ADDISON

Next Steps Accountability

I attach, as requested in Mr Wicks's minute of 19 February, additional briefing on the implications of "the Next Steps" for Ministerial accountability for Prime Minister's Questions tomorrow.

flap.

Trevor Woolley

T A WOOLLEY

22 February 1988

POLICY STATEMENTS

HD(88)9

HEADS OF SECRETARIATS, DIVISIONS (OMCS) AND BRANCHES (CSO) NOTICE

IMPROVING MANAGEMENT IN THE CIVIL SERVICE:

THE NEXT STEPS

ON(88)14 outlined the Government's decisions about further steps to improve the way in which the Civil Service carries out its business. To supplement that Office Notice I enclose a copy of:-

The Efficiency Unit report to the Prime Minister - IN FOLDER

The Prime Minister's statement to the House on 18 February 1988

Background Notes, in the form of a brief to management, to help deal in particular with any questions from the staff.

Please contact me if you need any further information.

J C Stevens

Principal Establishment Officer

Cabinet Office
19 February 1988

MANAGEMENT IN CONFIDENCE

NOT TO BE USED BEFORE 3 30 PM ON THURSDAY
18 FEBRUARY 1988

NEXT STEPS

Background Notes

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Section A - Key Decisions

Section B - Benefits

Section C - The agencies

Section D - Framework and Flexibilities

Section E - Agency Chief Executives, key staff, and other staff

Section F - Accountability

Section G - Industrial relations and trade union arrangements

Section H - Training

Section I - Project manager

Section J - Background

MANAGEMENT IN CONFIDENCE

A. KEY DECISIONS

1 The main decisions

The decisions which flow from consideration of the Efficiency Unit's Scrutiny Report "Improving Management in Government - The Next Steps" are, in brief :-

(a) to the greatest extent practicable, the executive functions of Government - as distinct from policy advice - should be carried out by units clearly designated within Departments, referred to in the Report as "agencies". Responsibility for the day to day operations of each agency should be delegated to a Chief Executive who would be responsible for management within policy objectives and a resources framework set by the responsible Minister, in consultation with the Treasury;

(b) the Government should commit themselves to a progressive programme for attaining this objective;

(c) staff should be properly trained and prepared for management of the delivery of services whether within or outside central Government;

(d) a "Project Manager" at a senior level should ensure that the programme of change takes place.

2. Status of the report

The views expressed in the report as a whole are the responsibility of the Efficiency Unit. The Government's decisions on specific recommendations are set out in paragraph 1 above and in the Prime Minister's statement.

3 Timetable

Timetable will vary from agency to agency, but intention is to press ahead with setting up framework for initial agencies as soon as possible.

Hope to have first agencies in operation in first half of 1988; others may take longer to establish.

4 Other parts of the Civil Service

No fundamental change. Existing thrust to improve management will be maintained and enhanced, with continued emphasis on value for money in the delivery of services, and better directed performance-related training. Departmental agencies and rest of Civil Service to work together closely as appropriate, eg operationally and to learn mutual lessons. Ministers will also receive assistance from the centre of their Departments in setting the policy and resources framework for each agency, and in monitoring its performance.

5 Staff interests

Staff interests will be consulted throughout.

B BENEFITS

1 Benefits expected from the new approach

Before an agency is set up the expected benefits will be assessed, and monitoring and post-audit will be in place to see how far these are achieved. Benefits could come from better service to the public for given resources, or savings in resources to provide the same service. Public expenditure amounts to some £150 billion (approximately) of which gross running costs in the Civil Service are about £13 billion; the potential benefits from better use of those resources is clear.

Specific benefits will include :-

(a) the clearer demarcation of responsibility for executive functions (delegated to agencies through a contract for performance) and policy formation (for Ministers and their advisers) will mean that both agencies and departments will be able to focus more sharply on their particular functions;

(b) setting clear frameworks for agencies will ensure that decisions about the job to be done and the resources required are made more systematically;

(c) greater precision about the required results will ensure that agencies know what they are expected to achieve and make it more likely that these results are delivered and within budgets;

(d) greater emphasis on training and experience in the delivery of services throughout the Civil Service will mean that services are better managed and policy developed and delivered in a way that makes operational sense;

(e) delegation of necessary responsibilities and powers to Chief Executives of agencies (subject to clearly specified central rules where essential (eg in the pay and wider economic policy areas) should ensure that agencies' management systems are better tailored to the job to be done, so improving efficiency.

2 Central aim

The aim is to release managerial energy to push for real improvements in the handling of Government business by helping management and staff of the agencies produce better service to the public and the Government. The proposals are not a back door way of imposing cuts in money, staff, or services. But better management should lead to further improvements in efficiency, which could well give some savings as well as better service.

3 Other possible approaches

The key factor is the most effective way of doing the job. Alternative structures, including privatisation and contracting out, will be considered when assessing the case for establishing new agencies. The responsible Minister will approve an agency only if he is satisfied that that is the most efficient way of delivering the services concerned in present circumstances.

4 The future

The process of improvement is a continuous and open-ended one, and the new approach will reinforce it by focussing attention on improving the outputs to be achieved from a given level of resources. So the government's customers - the public - should see real and growing benefits in terms of what is delivered to them.

C THE AGENCIES

1 What is an agency?

An agency will be a separately managed block of executive work under the control of a Chief Executive who will have responsibility for delivering specified services within a framework agreed with the responsible Minister, and sufficient managerial freedom to do so having regard to any necessary central disciplines.

2 Form of agencies

There is no hard and fast rule about the structure of individual agencies. They may take many forms, from public corporations and Non-Departmental Public Bodies to organisations which remain part of the departmental structure of central government, though with a clear identity of their own. The structure for each agency will be specified in the framework, and will be tailor made to enable the agency to deliver the required services as efficiently as possible.

Most of the initial agencies will be departmental agencies. They will be within the Civil Service. They and their staff will be subject to the code of conduct and the normal conditions etc which apply to government departments and civil servants, subject to any particular changes which may be made to meet individual circumstances.

In a few cases, it may be appropriate to set up executive agencies outside the Civil Service (eg by setting up a private limited company wholly owned by the Government). Conditions of service would be governed by contracts of service negotiated within the framework by the agencies; they would not necessarily follow Civil Service models. The acquired rights of staff transferring from the Civil Service would be respected.

The choice of a particular form of agency will be determined by the most effective way of doing the job in present circumstances; it carries no implication that the Government does or does not intend to propose an alternative structure at a later date.

3 Main characteristics of agencies

Aim is to organise all the work of departments in a way which focuses on the jobs to be done. Main characteristics of agencies will be :

- existence of rigorous policy and resources framework. This will mean a clearer definition of the results to be achieved as well as the resources required;

- more delegation of responsibility to the Chief Executive to enable him/her to run the organisation effectively. Detailed arrangements for this will need to be tailored to the specific needs of the agency, while maintaining central controls where these are needed.

Existing bodies (eg PSA, and CCTA) do not always have these characteristics and are not agencies in the sense intended by these proposals.

4 Initial agencies

The Government will be examining all its executive functions. But Departments have already been able to identify a number of areas which may be promising candidates for establishment as agencies. Examples of these are :

Her Majesty's Stationery Office (Chancellor's Department)
Employment Services (DE)
Passport Department (HO)
Driver and Vehicle Licensing Directorate (DTp)
Vehicle Inspectorate (DTp)
Meteorological Office (MOD)
Non-nuclear Research Establishments (MOD)
Resettlement Units (DHSS)
Companies Registration Office (DTI)
Royal Parks (DOE)
Historic Royal Palaces (DOE
Queen Elizabeth II Conference Centre (DOE/PSA)

Not all of these will necessarily become agencies, nor has the form and timescale of any changes been decided. Ministers will make decisions on each area in the light of further work which is now being put in hand to draw up appropriate policy and resources frameworks.

Questions on individual agencies should be addressed to the Departments responsible.

5 Future candidates

The Government will be looking for a progressive expansion of the agency structure and will be applying the lessons of experience as further agencies are established. They have not at this stage ruled out any operations as potential candidates but executive work which routinely generates policy issues may be less suitable for agency treatment.

6 Relationship of the agency to the parent department

The Minister will set out in the framework what is required, and the agency will then be responsible for delivering it without day-to-day intervention by the department. But the detail will depend on the framework for each agency. The Minister will need advice from the agency in setting the framework, and the agency will need to be aware of the policy in delivering its output.

7 Measuring the benefits

The framework established for each agency will set out in precise terms what is to be achieved, and how it is to be measured. This is to ensure that whether or not an agency has delivered the results required with the resources provided can be reliably assessed after the event.

D FRAMEWORK AND FLEXIBILITIES

1 What is a 'framework'?

The framework will be an agreement between the Chief Executive and the departmental Minister approved by the Treasury which will define the relationship between the agency and the department, specify the resources to be made available and the results to be delivered, and deal with any other special conditions to be applied to the agency's work. Among the points to be covered will be :

(a) the agency's aims and objectives;

(b) the circumstances in and procedures by which the Minister reserves the right of decision in matters generally delegated to the agency, including the handling of difficult and sensitive issues;

(c) the extent and means by which the agency will contribute to policy formation;

(d) the proposed handling of answerability to Parliament and individual Members on the activities of the agency;

(e) accounting and reporting arrangements;

(f) expenditure classification and control measures agreed between the department and the Treasury;

(g) arrangements for recruitment, pay and other personnel management responsibilities;

(h) the industrial relations structure of the agency.

Agency frameworks will normally be made public.

2 Pay and expenditure flexibilities

The aim is to provide the discretion managers need to enable them to deliver the services defined by the framework. That should improve the control of public expenditure rather than impair it, and the Treasury is prepared to forego some of its existing controls in the interests of greater efficiency. It will retain only those controls which are essential for the management of the public finances and the achievement of the Government's macro-economic objectives.

3 Annuality

Subject to appropriate alternative disciplines, the Treasury is willing to consider extending existing flexibilities where this can be shown to lead to better management. Flexibility is already possible within the framework of the present arrangements, which are designed to deliver Ministers' objectives for the control of public expenditure and to meet Parliament's own requirements for the control of spending by the Executive. A review of the end year flexibility scheme has been launched.

4 Spending of receipts

This depends on the nature of the receipts. Clearly not appropriate for tax revenue but where receipts represent payments to recover the full costs of providing a service, the Government will as now authorise exemption from gross running costs controls provided there are other effective pressures for increased efficiency. This has already been done for some existing services. Use of receipts will have to satisfy existing statutory provisions or existing Parliamentary conventions unless changes in legislation are introduced or understandings with the PAC are renegotiated.

5 Will legislation be required?

The establishment of departmental agencies is not in itself likely to require legislation. Any significant changes affecting Parliamentary financial control could, however, require legislation. This is a matter on which the Government would need to consult the Comptroller and Auditor General and the Public Accounts Committee. Legislation is also likely to be needed where it is proposed to establish an executive agency outside the Civil Service.

E AGENCY CHIEF EXECUTIVES, KEY STAFF, AND OTHER STAFF

1 Appointment of Chief Executives

In most cases a career civil servant will be the best choice for the Chief Executive of an agency, and at the start this may often be the person who is already in charge of the activities concerned. Indeed, it is a main purpose of the "Next Steps" approach that there should be interchange between 'policy' work in departments and 'management' work in agencies, and that the Civil Service should equip its people with the skills to take on such jobs and provide more executive management. In other cases, as now, it might be right to fill the post by open competition, with civil servants free to apply.

2 Terms and Conditions of Service

All Chief Executives would be appointed for a fixed term, with the possibility of an extension not excluded. Civil servants appointed by internal selection would be paid at the rate appropriate for the relevant grade, with in addition a suitable performance-related element linked to defined performance objectives. They would be governed by the normal Civil Service conditions of service, including rules relating to conduct and discipline. Contracts for Chief Executives appointed by open competition would also normally include a substantial performance-related element.

3 Incentives and Sanctions

The award of performance-related elements would be dependent on the Chief Executives' success in meeting agreed objectives. The individual performance targets would be based on the performance and output indicators which would be set for the agency as a whole as part of the framework. If a Chief Executive fell significantly short of delivering the agreed objectives, he or she would be liable to lose the eligibility for the performance-related elements, or to be relieved of the job. Final decisions on all these matters would rest with the Permanent Secretary, consulting the Minister of the department concerned.

4 What are "key staff"? How would they be appointed?

Key staff would be defined in the framework for each agency; they would be those crucially responsible with the Chief Executive for the delivery of performance. Their appointment would follow the same general pattern as that for Chief Executives, but special arrangements could be written into the framework after consultation between the agency and the department, and with the approval of the Minister.

5 Pension arrangements for Chief Executives and key staff

Those in departmental agencies (ie within the Civil Service) can remain in or join the Civil Service scheme; or take a personal pension. Pension arrangements for agencies established outside, or which subsequently move outside, the Civil Service will be for consideration case by case.

6 Rights etc of existing heads and key staff of proposed agencies

Existing rights will of course be respected. Those already in post will stay in place, subject to normal transfers, career moves, promotion, retirement, etc, while agency status is being considered, and normally be eligible for consideration for appointment in the agencies (in accordance with 1 above).

7 Position of Chief Executive and key staff when term with agency is over

Chief Executives or key staff who remained civil servants would normally be posted to another job in the Civil Service. Aim will be to secure that in future the highest ranks in the Service will be filled by people who have had a successful term in an agency, or other significant managerial experience.

8 How will other departmental agency staff be appointed?

From those who are already doing the work to be given to the agency, by transfer from the department or elsewhere in the Civil Service, by open competition through the Civil Service Commission, or by a competition run by the agency or department in accordance with a scheme approved by the Commission. Standard Civil Service conditions would apply initially; any subsequent changes would be subject to negotiation, and acquired rights would be respected.

9 Pay

Departmental agencies would benefit from the existing moves towards greater flexibility to reward different skills or better performance, and to meet local conditions. The Treasury will be ready to consider cases for further flexibility on their merits; any specially authorised arrangements would form part of the framework.

10 Interchangeability of staff between the agencies and the department?

Yes. One of the key principles is that staff should gain experience both in agencies and in the parent departments.

11 Pension arrangements

The presumption is that staff of agencies who are now members of the Civil Service scheme will remain in it, though like everyone else they will have a right to opt for a personal pension from July 1988. Pension arrangements for agencies established outside or which subsequently move outside the Civil Service will be for consideration case by case.

12 Existing rights

Existing rights and will of course be respected.

F ACCOUNTABILITY

N.B. This section applies only to departmental agencies whose staff are civil servants.

1 Ministerial accountability

In general, the principles of Ministerial accountability will remain unchanged, though some changes are likely to occur in the ways accountability is discharged.

(a) Internal. Greater responsibility will be delegated to agency heads, in particular for operational matters (except eg in emergencies). Ministers will retain ultimate responsibility for policy objectives and resource allocation, though in practice these matters are likely to be settled following discussion with the agency head.

(b) External. Ministers will remain formally answerable to Parliament for all the work of their departments, including agencies.

2 Parliamentary Questions

Ministers will continue to answer Parliamentary Questions about all aspects of agency activities.

3 Correspondence with MPs

As already happens in some similar areas, MPs are likely to be encouraged to approach agency managers directly in the first instance on operational matters. But MPs will still be able to approach a Minister direct eg where they are not satisfied with agency managers' responses.

4 Public Accounts Committee

The permanent heads of departments as Accounting Officers would continue to be answerable to the Public Accounts Committee (PAC) for departmental agencies. The Chief Executive of a departmental agency would normally attend the PAC also when the work of the agency was being examined.

5 Other Select Committees

The relevant Departmental Select Committee will be able to examine agency activities and agency staff in the same way as they examine departments now. Agency Chief Executives and their staff will give evidence in accordance with the existing Memorandum of Guidance for civil servants giving evidence to Select Committees. Ministers will continue to be responsible for replying to Select Committee reports.

6 Parliamentary Commissioner for Administration

Agencies will be subject to investigation by the PCA, who will report his findings to the permanent heads of the departments concerned, as at present.

7 Accountability of agencies outside the Civil Service?

Will depend on their precise nature - to be determined case by case.

G INDUSTRIAL RELATIONS AND TRADE UNION ARRANGEMENTS

1 Existing industrial relations arrangements

Industrial relations arrangements will be specified in the agency frameworks following consultation with those concerned. Adjustments to present Whitley Council procedures will need to be negotiated to fit the needs of each agency and, over time, both the management of agencies and the Trade Union Side may want to consider whether a different form of industrial relations machinery would be more appropriate.

Separate arrangements will be negotiated for executive agencies outside the Civil Service.

2 Will the unions be consulted on the handling of the proposals?

Yes. Although the Government has decided to accept the broad conclusions of the Efficiency Unit's report, a good deal of detailed work is still required. There have already been preliminary discussions with the Civil Service unions nationally, and there will be further consultations at all levels from national to local as the work on implementation proceeds.

3 Will the new arrangements undermine national bargaining on terms and conditions of service, including pay?

No. Negotiations on most conditions of service for departmental agencies will continue to be conducted centrally. Where variations are negotiated at agency level, the unions will have a full opportunity to represent the special interest of their members in that agency.

4 Will the existing Civil Service unions continue to be recognised?

This is a matter to be settled by the management and staff of individual agencies within the framework. The presumption, especially in the case of the departmental agencies, is that existing recognition arrangements would continue.

H TRAINING

1 The Scrutiny's recommendations on improved training

Improved training, targetted on the agencies' main task of delivering services, will be a key element in achieving the increased efficiency envisaged by the report. It will be for Chief Executives to decide on the form of training best suited to support their particular operations, including whether to provide in-house courses, or to buy in training from outside sources, or, in the case of departmental agencies, from their parent departments, or the Civil Service College. The provision of additional resources for this purpose has not been ruled out, though there may well be scope for better value for money from existing training expenditure by focussing effort more sharply on the needs of the job.

2 Current Civil Service training

A great deal of training goes on already. Likely to be scope for reorienting some of the existing provision, but need to avoid diverting resources already earmarked for functions which will remain within the department.

I PROJECT MANAGER

1 Role and responsibility of the project manager

The project manager will have no responsibility for the management of the agencies. His job will be to see that the Government's decisions on the report are successfully implemented. He will report to the Prime Minister through the Head of the Home Civil Service.

2 Will this be a permanent appointment?

No. The project manager will continue for as long as is necessary to get the changes firmly established, but the post will be kept under review, and will eventually be wound up. It is too early at this stage to predict how long the post will be needed.

J BACKGROUND

1 Why are these changes needed now?

To give a fresh impetus to the programme of management reforms introduced since 1979, and to reduce obstacles to future progress.

2 How has the Civil Service changed since 1979?

A great deal has been done since 1979 to achieve more efficient and accountable management and a better use of resources. Developments include;

- The Financial Management Initiative;

- new budgeting systems, including the development of a wide range of output measures;

- reformed pay structures and pay determination arrangements;

- new personnel management systems, based on revised appraisal procedures which set individuals clear objectives, and assess whether they may have been achieved;

- contracting out of work where this is cost effective in terms of money and service;

- rolling programme of efficiency scrutinies in key areas.

3 What have these actually achieved?

A generally improved awareness exists now in Civil Service managers of the importance of value for money and better management. Very many examples are available (1,800 output and performance measures were shown in the 1988 Public Expenditure White Paper). Some aggregated figures :-

- Savings from efficiency scrutinies rising to £325m a year: over £1.3 billion in total so far;

- improved value for money in purchasing, saving £290m in 1986-87;

- size of Civil Service reduced by 1/5 since 1979, without corresponding reduction in volume of services provided.

Present decisions will lead to changes that will build on and develop these achievements.

GOVT MACH Rayner PT26.

22. II.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MR WOOLLEY

CABINET OFFICE

THE NEXT STEPS: ACCOUNTABILITY

This is just to record my conversation with you this afternoon in which I said that I should like, for the purposes of Prime Minister's Questions next Tuesday, notes for supplementaries, together with an appropriate background note, on the accountability of agencies. The notes should cover, in particular, the position of agencies not within the Civil Service. They will of course need to be entirely consistent with what the Prime Minister told Parliament yesterday. It would also be helpful to have precise words on what she could say if asked about the access of the National Audit Office to the books of the agencies.

Please could I have this material by close of play on Monday 22 February.

N. L. W.

N.L. WICKS

19 February 1988

SECRET

DASAD.
VC.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

MACHINERY OF GOVERNMENT

The Prime Minister had a short discussion with you this morning about the work which you wish to put in hand, on a contingency basis, for possible Machine of Government changes. You said that you were considering the futures of the Departments of Employment, Energy, and Trade and Industry, and how their functions might be amalgamated into two Departments once the electricity privatisation legislation reached the statute book. One possibility was to bridgade DTI's trade and the three Departments' regulatory functions into one Department with the other work moving to a separate Department.

The Prime Minister agreed that you should carry out this work on a strictly private basis. She asked you also to consider what would be involved in creating a separate Ministry of Health. She saw no case for combining the Department of Employment training functions with the Department of Education and Science, as had sometimes been suggested. Nor was she inclined to amalgamate the Department of Transport's work into the Department of Trade.

N L WICKS

19 February 1988

SECRET

Ref. A088/599

MR WICKS

The Next Steps

You asked for some further information on the size of the Civil Service. The answers, derived from Civil Service Statistics 1987 (which represents the position as of 1 January 1987 and is the latest available), are as follows:

Total size of the Civil Service:	599440
Civil servants employed within inner London:	75310
Civil servants employed in the South East:	116012

2. The precise breakdown between employment on formulation of policy and the delivery of services is not given; but Civil Service Statistics 1987 states that approximately one half of the total Civil Service is employed in the delivery of services and that those engaged in "Whitehall, advisory and policy work" represent approximately one in twenty of the non-industrial Civil Service.

P.C.B.

PAUL CUTHBERT-BROWN

18 February 1988

PCBABY

Ref. A088/583

PRIME MINISTER

Cabinet: Improving Management in Government: The Next Steps
(C(88) 2)

The paper which has been circulated records the decision of the small Ministerial Group, and covers the draft statement it is proposed you should make on Thursday afternoon. The Minister of State, Privy Council Office, Mr Luce, has been invited for this item of the Cabinet's discussion. I suggest that you --- should introduce the paper. A speaking note is attached.

2. Preparations have been made to enable publication of the report on Thursday afternoon and for civil servants to receive messages from their Heads of Departments as soon as practicable after the statement has been made. A press conference, to be given by Mr Luce, has been arranged for 4.15 pm. Although these preparations have all been made clearly subject to Cabinet's approval, it would in practice be impossible to prevent a change of course becoming known should Cabinet wish to delay or substantially alter the announcement.

3. All Ministers with agencies in the initial list were on the Ministerial Group, and my inquiries have not revealed any substantive points which other Ministers are likely to raise. Discussion of the paper may therefore be relatively short.

4. The points likely to be raised are those made at the smaller Group - first, that not all of Government is likely to be amenable to this treatment and expectations should not be raised too far; and second that the paper by the Treasury at

BRIABS

Annex B (which has been re-drafted to give a more positive tone) suggests that the Treasury will be reluctant to relax its central controls.

5. The answers to those points might be that the number of civil servants in the first list of activities provisionally identified for establishment as agencies amounts to over 71,000 civil servants - about one in eight civil servants - and some Departments see scope for considerably greater application of the agency approach: for example, Lord Young envisages that up to 70 per cent of the Department of Trade and Industry staff ultimately might be in agencies. So the significance of the change should not be underrated.

71,000 i/f

6. On the second point, you will want to say that the Treasury are correct to insist that the arrangements for setting up agencies are rigorously negotiated to ensure that greater local responsibility does not lead to laxer control of overall public expenditure and, in particular, pay. The list of points to be covered in Annex B is formidable but is not inconsistent with greater delegation.

7. If the point about appointment procedures is raised, you will want to say that you have asked me to see that the Civil Service Commission's appointment and reappointment procedures are not so cumbersome that they deter good people from subjecting themselves to them.

Handling

8. You might introduce the paper. I suggest you then invite points in particular from Ministers not included in the Group, (the Foreign Secretary and Secretaries of State for Energy, Wales, Northern Ireland, Education and Science and Scotland).

BRIABS

Subject to any points made you might then sum up by saying that the Cabinet endorses the conclusions of the Ministerial Group, and agrees to proceed with the announcement proposed, and ask colleagues to make sure that things happen in their Departments to implement the recommendations of the report.

F.E.R.B.

ROBIN BUTLER

17 February 1988

Improving Management in Government: The Next Steps

Notes to Introduce the Paper at Cabinet

Following my request to the Efficiency Unit to review the progress of Civil Service management reform, the Unit made its report early last year. The Election intervened. A Group of Ministers has considered the report and other work. They have endorsed the report's approach and considered how best to give effect to it.

The paper before you covers the report, and the draft of an oral statement to be made today to accompany publication.

The Unit carried out a detailed review of progress in improving management in the Civil Service. They concluded that the reforms so far - the Financial Management Initiative, new budgeting systems, changes in personnel management and so on - had brought substantial improvements, but that more was needed to carry improvement forward.

The paper before us proposes that the Government accepts four recommendations:

to set up agencies to carry out executive functions; they would work within a clear policy and resources framework set by the responsible Minister with the approval of the Treasury; it would then be for the Chief Executive of the agency to manage it and to get the results;

to commit ourselves to a programme for implementing agencies progressively;

to see that staff are trained and equipped effectively for the delivery of services;

BRIABT

to ensure that the centre of government presses steadily for those improvements; in particular, appointing a Project Manager to see to it that the necessary changes take place.

A number of proposals for intitial agencies have been made, and a list is attached to the paper at Annex D. I stress that no final decisions have been made about these but they are agreed to be promising candidates and the list would be published with the statement. The Efficiency Unit's report is also to be published.

The paper mentions a number of particular aspects addressed by the Ministerial Group - legislation, accountability, privatisation and appointments. Some of these are clearly going to be general concerns and the Opposition and the Civil Service unions have already reacted to some misleading press reports. The paper proposes the line we should taken on them.

It is proposed that I make an oral statement this afternoon. Arrangements have been made for Parliamentary and media briefing, for Permanent Secretaries to send messages to staff, and for the unions centrally and departmentally to be informed. Mr Kemp, who has done an excellent job in negotiating recent pay agreements with the Civil Service Unions, will take up appointment as a Permanent Secretary in the Cabinet Office immediately with responsibility for seeing that these reforms are implemented.

BRIABT

Ref. A088/586

MR PERKS

cc Miss Goodison
Mr Kemp
Mr Wicks
Mr Stevens
Mrs Dixon
Mr Wright

Next Steps: Press Releases

I attach two press releases for simultaneous issue tomorrow afternoon:

- the "Next Steps" announcement;
- the consequential Civil Service appointments.

They have been cleared with all the parties concerned. I am sorry that it has been necessary to incorporate some amendments to the previous version of the first of these at this late stage.

Trevor Woolley

T A WOOLLEY
PS/Sir Robin Butler

17 February 1988

Draft news release

PRIME MINISTER ANNOUNCES CHANGE IN WAY WHITEHALL DELIVERS SERVICES

Agencies will offer "new and more flexible approaches to Civil Service work"

The Prime Minister today announced plans to set up agencies within Government Departments to deliver Government services. Each will have its own Chief Executive, responsible for managing day to day operations. This is a major further step in reform of the Civil Service.

The aim is a substantial further improvement in management of government business and the way Government delivers its services. The Prime Minister has approved the appointment of Mr Peter Kemp to be a Second Permanent Secretary in the Office of the Minister of the Civil Service responsible to the Prime Minister through the Head of the Home Civil Service for managing these changes.

In a statement in the House of Commons the Prime Minister said the Government accepted four recommendations of a report by the Efficiency Unit -"Improving Management in Government : The Next Steps". This would set the direction for development in the programme of Civil Service management reform.

The Prime Minister said that the Government would be launching a progressive programme for the establishment of agencies*. The Chief Executive of an agency would continue to work within policy and resources determined by the responsible Minister in consultation with the Treasury. Agencies would generally be within the Civil Service and their staff would remain civil servants.

The Government would also be further improving training and career development for civil servants.

* A list of the first candidates for agencies is included in the Background Note.

Background Note

The Efficiency Unit supports the Prime Minister's efficiency adviser Sir Robin Ibbs, an executive director of ICI. Their report stemmed from a request by the Prime Minister to look at progress with the reforms in the Civil Service. The report "Improving Management in Government - the Next Steps" is available from HMSO.

The report said that, while the management of Government business had much improved since 1979, substantial further improvement was possible. The developments of the last eight years had had a positive effect on the way civil servants involved in the delivery of services went about their business. The development of the various Financial Management Initiative systems, of new budgeting systems and of reforms in such areas as personnel management were all examples of positive changes during that period. Many civil service managers had been found to be enthusiastic about changes made so far but conscious of continuing constraints on effective management, and keen to see further changes which would give more scope and flexibility for the exercise of personal responsibility by managers.

The report pointed out that much of the work of the Civil Service concerned the delivery of services rather than policy formulation. It included the following recommendations which have been accepted by the Government:

- To the greatest practicable extent the executive functions of Government, as distinct from policy advice, should be carried out by units clearly identified within Departments referred to in the Report as 'agencies'. Responsibility for day to day operations should be delegated to a Chief Executive who would be responsible for management within policy objectives and a resources framework set by the responsible Minister, in consultation with the Treasury.

- The Government should commit themselves to a progressive programme for attaining this objective.

- Staff should be properly trained and prepared for management of the delivery of services whether within or outside central Government.

- A "Project Manager" at a senior level should ensure that the programme of change took place.

Agencies will work within a firm framework of policy and resources, which will be set by the appropriate departmental Minister (in consultation with Treasury). Each will be accountable to the Minister, who will in turn be accountable to Parliament for the agency's performance. Agencies will generally be within the Civil Service, and their staff will continue to be civil servants. The Government will be developing a continuing programme for the establishment of agencies.

Examples of the first candidates for establishment as agencies are

Her Majesty's Stationery Office (Chancellor's Department)
Employment Services (DE)
Passport Department (Home Office)
Driver and Vehicle Licensing Directorate (DTp)
Vehicle Inspectorate (DTp)
Meteorological Office (MOD)
Non-nuclear Research Establishments (MOD)
Resettlement Units (DHSS)
Companies Registration Office (DTI)
Royal Parks (DOE)
Historic Royal palaces (DOE)
Queen Elizabeth II Conference Centre (DOE/PSA)

Not all of these will necessarily become agencies, nor has the form and timescale of any changes been decided. Ministers will make decisions on each area in the light of further work which is now being put in hand to draw up appropriate policy and resources frameworks. In most cases it is not expected that legislation will be required and it should be possible to make rapid progress.

The Government will also be improving training and career development to promote the objectives of the Next Steps approach.

Further inquiries: John Wright on 01-270-6369. Questions on individual agencies should be addressed to the Departments responsible.

DRAFT OF 17 FEB 1988

DRAFT PRESS NOTICE

Civil Service Appointments

The Prime Minister, with the agreement of the Ministers concerned, has approved the following appointments:

Mr Peter Kemp CB, to be Second Permanent Secretary, Office of the Minister for the Civil Service.*

Mr Hayden Phillips, to be Deputy Secretary, Public Services, HM Treasury in succession to Mr Kemp.

Mr Brian Gilmore, to be Deputy Secretary, Office of the Minister for the Civil Service, in the appointment of Director of Management Development, Education and Training, in succession to Mr Phillips.

These appointments will take effect from 19 February 1988.

* see Press Notice "Prime Minister Announces Change in Way Whitehall Delivers Services".

SASACQ

NOTE FOR EDITORS

Mr Kemp, who is 53, was educated at Millfield and the Royal Naval College, Dartmouth. He qualified as a chartered accountant in 1959 and worked in professional firms at home and abroad until 1967 when he joined the Ministry of Transport as a direct entry Principal. He moved to the Treasury in 1973 as an Assistant Secretary, and was promoted Under Secretary in 1978 and Deputy Secretary in 1983. He has held posts dealing with Energy and Health and Social Security expenditure, and the management of the Budget. From 1983, until last November, he was in charge of Civil Service pay and industrial relations.

Mr Phillips, who is 45, was educated at Cambridgeshire High School, Clare College, Cambridge and Yale University. He entered the Home Office as an Assistant Principal in 1967, temporarily transferring to the Economic Group in 1969. He reverted to the Administrative Group in 1972, and from 1974 to 1976 served as Principal Private Secretary to the Home Secretary as an Assistant Secretary. In 1977 he was appointed Deputy Chef de Cabinet to the President of the

Commission of European Communities. He returned to the Home Office in 1979, and was promoted to Under Secretary in 1981, serving first in the Police Department and then as Head of the Immigration and Nationality Department. He has been Director of Management Development, Education and Training at the Office of the Minister for the Civil Service (formerly the Management and Personnel Office) since 1986.

Mr Brian Gilmore, who is 50, has been head of the Home, Education and Transport Group in the Treasury since 1984. He was educated at Wolverhampton Grammar School and Christ Church, Oxford were he took a first in Greats. He joined the Commonwealth Relations Office in 1958 where his jobs included Private Secretary to the Permanent Secretary and to CRO Ministers, including the Secretary of State. After working on the merger of the Foreign and Commonwealth Services he became a First Secretary to the British Embassy, Washington (1965-68). After a period with the Ministry of Technology and DTI he became Private Secretary to the Leader of the House of Lords. In 1972 he joined the Civil Service Department, working on Civil Service pay and training. He was head of the Civil Service College

1979-81, and Principal Establishment and Finance Officer to the Treasury 1982-84.

pc

Told FER B's office
N.L.W.

Action this day

PRIME MINISTER

THE NEXT STEPS

Mr. Luce wonders whether Robin Butler should be asked to see Messrs. Hattersley, Steel and Maclennan (separately) before you make your Statement on the Next Steps so as to brief them on the main points. (Mr. Luce is himself seeing Sir William Clark, Terence Higgins and Bob Sheldon.)

I advise against Robin offering briefing. Such an offer would seem to over-egg the importance of the occasion (as well as giving Messrs. Hattersley, Steel and Maclennan an opportunity to think up awkward questions).

Robin agrees with this advice but suggests that he should be ready to respond to requests for advance briefing if any of the Party Leaders ask for it.

Agree this approach?

Yes – but it is very unusual and he could be put in an awkward position on certain questions.
MT

N.L.W.

N. L. WICKS

17 February 1988

L05
AKD

PRIME MINISTER

There is a good deal in the press today about the Efficiency Unit's Report. There is some evidence to suggest that this was based on a briefing last night by Roland Boyes. It looks as if he may have a copy of the "leaked" earlier version of the Report.

Mr. Boyes may say that the "original" version of the Report included a reference, in an annex, to the possibility that only 20,000 civil servants would remain if the agency concept was applied throughout departments. This annex is not included in the printed version below on the grounds that - to use the Efficiency Unit's words - "this was indicative material which was not suitable for a formal report".

Obviously, you do not want to say this in the House. If the point comes up, I suggest you use the material in Supplementary 28 - "The version placed in the library is the final version produced by the Efficiency Unit".

Enclosed in the folder are the two documents which are being placed in the Vote Office.

N.L.W.

(N.L. WICKS)

17 February 1988

DA1ADU

NOTES FOR SUPPLEMENTARIES

1. Objectives

Departments have already made great strides in improving value for money, efficiency and productivity. The steps which I have just announced will enable us to carry the improvements still further. The new approach will define responsibility more clearly within Departments and provide a framework in which Civil Service managers will have greater incentive and opportunity for better management so that they can produce an improved service for taxpayers and for the public at large.

2. Examples of Improvements in Civil Service Efficiency

Savings from efficiency scrutinies are rising to £325 million a year: over £1.3 billion in total so far. There has been improved value for money in purchasing, saving £290 million in 1986-87. The size of the Civil Service has been reduced by one-fifth since 1979, without a corrresponding reduction in volume of the service provided.

Honourable Members opposite should not knock the Civil Service. We on this side of the House pay tribute to the Service which the nation has a right to be proud of. The purpose of the changes that I have announced today is to help the Service to become more efficient and productive.

3. The Government should have consulted on the Report before announcing decisions

Let me draw the House's attention to the procedure adopted by the then Prime Minister, Mr. Harold Wilson, in 1968, when the Fulton Report on the Civil Service was published. The Prime Minister told the House on 26 June 1968 that:

> ".....the House will wish to know that the Government have decided to accept the main

recommendations of the Report and to embark on the process of reform outlined by the Committee."

The procedure that we are following today is essentially the same.

[The Right Honourable Member for Birmingham Sparkbrook was a member of that Government, Parliamentary Secretary in the Department of Employment and Productivity.]

4. What are the individual agencies?

There have been no final decisions. I have placed in the Vote Office the list of executive functions which look to be promising candidates for the first agencies. They are:

Her Majesty's Stationery Office
Employment Service
Passport Department
Driver and Vehicle Licensing Directorate
Vehicle Inspectorate
Meterorological Office
Non-nuclear Research Establishments
Resettlement Units
Companies Registration Office
Royal Parks
Historic Royal Palaces
Queen Elizabeth II Conference Centre

How Members should address Questions about individual agencies to the responsible departmental Minister.

5. Is there a blueprint for action in establishing agencies?

There are no hard and fast rules for the structure of agencies. Each one will be tailored to the requirements of the job in hand. But the key feature will be the delegation of responsibility for day to day operations to a Chief Executive. He will be responsible for management

within a framework of policy objectives and resources set by the responsible Minister, in consultation with the Treasury.

6. Wrong to divorce the process of executing policy from the process of formulating policy?

A key aspect of proposals is that those concerned with the formulation of policy should have experience and information about its implementation and execution, and that interchange of staff between agencies and centre of Departments should be fostered. I believe that the approach which I have described can provide the basis for further advances in management in the Civil Service.

7. Legislation

We do not expect that legislation will usually be necessary, though it may be so in a few particular cases.

8. What is the timetable for implementation of the new approach?

It will be the task of the Project Manager to develop a timetable in consultation with Departments.

9. Delay implementation until the trade unions and/or T.C.S.C. have commented.

We intend now to proceed to implement the proposals. But there will be opportunities for the views of those who wish to comment to be taken into account as the programme for establishing the agencies proceeds. We welcome consideration and discussion of these matters by the Select Committees.

10. Lack of consultation with the Trade Unions

I understand that while they were conducting the scrutiny the Efficiency Unit discussed the issues in general terms with the Council of Civil Service Unions. Once the scrutiny was complete there would have been no

point in the Government consulting the unions until we had resolved some of the issues. I am sure Departments will consult their trade unions about the establishment of their agencies, that there will be central consultation with the project manager, and that staff in the unions will be consulted in the normal way if there are any changes of conditions of service.

11. More power to civil servants?

Ministers will stay firmly in control of policy and will continue to oversee its implementation.

12. What proportion of the Civil Service will be placed in an agency?

It is too soon to be definite about the precise extent of its application. That will emerge as a result of the consultations which will now take place.

13. Reaction of Civil Service Managers

I believe that the majority of managers in the Civil Service will welcome the new approach. This is certainly the finding of Sir Robin Ibbs' scrutiny.

14. Accountability

There will be no change in the arrangements for accountability. Ministers will continue to account to Parliament for all the work of their departments, including the work of the agencies. Hon. Members' rights to question Ministers and to hold them to account will not change. Departmental Select Committees will be able to examine departmental agencies' activities and agency staff in the same way as they examine Departments now.

15. Parliamentary Commissioner for Administration

The new approach does not effect the work of the Parliamentary Commissioner for Administration. His powers and responsibilities will not be altered in any way. Agencies within Departments will be subject to his investigation.

16. PAC

The establishment of Departmental agencies will not effect the powers and responsibilities of the PAC.

17. Privatisation

Wherever possible, we will continue to privatise functions where that is in the interests of the taxpayer and the consumer. The agency approach is designed for functions which need to remain within Government.

18. More quangos?

No. Agencies will generally* remain within the Civil Service and directly accountable to Ministers for implementation of Government policy.

19. Outside appointments and the politicisation of Civil Servants

It may be appropriate to appoint the Head of an Agency in some cases from outside the Service. But I am sure that in many cases the Civil Service will provide good candidates. Appointments will continue to be made by fair and open competition in accordance with the rules of the Civil Service Commission.

20. Backdoor means of achieving cuts in Civil Service numbers?

No. This new approach is about organising the Civil Service so it can do its job better. It is not about cuts.

21. Assurance of no redundancies.

I am not giving any such assurance. But I emphasise that this new approach is about organising the Civil Service so it can better do its job. It is not about cuts.

NB: important to say generally - since there may be a few agencies which will be outside the Civil Service.

22. Do the proposals alter anything that was said in the Head of the Civil Service's guidance on duties and responsibilities of civil servants or in what has been said in recent replies to Select Committees on the Civil Service?

The Guidance set out in Sir Robert Armstrong's note "The Duties and Responsibilities of civil servants in relation to Ministers", issued on 1 December last year remains fully applicable.

So do the statements on accountability and civil servants responsibilities in:

- CM 78 - The Accountability of Ministers and Civil Servants (which was the Government's response to the First Report from the TCSC 1986-87, which deals especially with relations with Select Committees)
- Cmnd 9916 (which was the Government's response to the Third and Fourth Reports from the Defence Committee 1985-86) which includes statements on Ministerial accountability
- Cmnd 9841 - Civil Servants and Ministers: Duties and Responsibilities (which was the Government's response to the Seventh Report from the TCSC 1985-86).

23. Effect on Civil Servants' obligations of confidentiality and under the Official Secrets Act

Civil Servants' obligations of confidentiality and under the Official Secrets Act are not affected.

24. Pay, recruitment, terms and conditions of staff in agencies.

Our intention is for agencies to be allowed some flexibility on terms and conditions for service within the framework set by the responsible Minister, though obviously there will need to be controls to safeguard public expenditure. The degree of flexibility can differ from agency to agency, depending on the requirements of the job to be done. Staff and unions will be consulted in the normal way if any change in terms and conditions

of service is contemplated.

25. Who is the Project Manager?

Mr Peter Kemp, at present a Deputy Secretary in the Treasury, who will be promoted to Permanent Secretary Grade 1A. He will continue in post as long as is necessary to get the changes established. His task is to assist with the process of setting up agencies. Management of the agencies will be the responsibility of Departments.

26. Status of the Efficiency Unit's Report

A copy of the report has been placed in the Library of the House. The views expressed in that report are the responsibility of the Efficiency Unit. The Government does not accept all the opinions recorded by the Efficiency Unit in their report. What is important are the Government's decisions on the Efficiency Unit's recommendations and these are described in my statement.

27. Why has it taken so long to publish the report?

The Efficiency Unit's report made important proposals. They needed thorough discussion with Departments. I undertook to report to the House the outcome of that discussion. I have now done so.

28. The published report differs from the 'leaked' version.

The version placed in the Library is the final version produced by the Efficiency Unit.

29. Relocation

'Next Steps' is about Civil Service structure not its geographical location (which is not mentioned in the report). Relocation remains amongst the Government's policies for helping the civil service to become more flexible and responsive to market conditions. Government is preparing a new policy on dispersal to succeed 1979 dispersal programme.

30. Training

Improved training will be key element in achieving increased efficiency. More resources have not been ruled out, though we will be considering scope for securing better value from existing training expenditure.

31. "Free for all" on Public Expenditure or Pay?

No. The agencies will be set up within a clearly defined framework, agreed with the Treasury, which will define the resources and freedoms with which the agency will work.

file PA

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

NEXT STEPS

This is just to confirm my conversation with your office yesterday in which I said that the Prime Minister was content for Mr. Luce to give an informal briefing on Next Steps to a number of key Members of Parliament, including Mr. Terence Higgins, Mr. Bob Sheldon and Sir William Clark. She is also content for Mr. Luce to take the press conference immediately after her statement with yourself and the Project Manager present.

N.L.W.

(N.L. WICKS)

16 February 1988

cc [illegible] (minute only)

NBPM
RRC6
16/2

Treasury Chambers, Parliament Street, SW1P 3AG

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

15 February 1988

Dear Douglas.

MAJOR CAPITAL CONTRACTS

A ~~year~~ flap PT22 ago I sent you a copy of a report I had submitted to the Prime Minister describing progress in implementing the four recommendations made by Sir Robin Ibbs in 1985, on improving the management of major capital projects.

2. I now attach a copy of a follow-up report to the Prime Minister, which she has noted.

3. The report shows good progress on all four of Sir Robin Ibbs' recommendations. On the key recommendation, that the department for which work is being done should "own" the project, steps taken over the last year include:

i. the transfer of funding responsibility for most office building from PSA to the occupying departments;

ii. the appointment of project sponsors (or directors) for all major projects - to represent the client interest and take clear lead responsibility for project success;

iii. the setting up of training programmes for project sponsors; and

iv. agreement to implement payment and untying for PSA project management services from 1 April 1988.

4. We plan to produce an evaluation report on the last of these - which is a most important change - in about two years. This would be a good time for a further stocktaking on Sir Robin Ibbs'

recommendations in this area generally, the results of which should by then be showing clearly in terms of better delivery of completed projects. In the meantime, it will be important to monitor progress.

5. I am copying this letter to all Ministers in charge of Departments, and to Sir Robin Butler and Sir Robin Ibbs.

Yours ever

Peter

PETER BROOKE

GOUT MACH: Zagner PT26

Alex Smith

Yes, agreed by LP, Head of C.S. (+ me!)

MEN

LP

N.C.W.

REQUEST FOR STATEMENT

The Opposition have asked for a Statement today on the piece in the papers about the 'Next Steps' report. I have spoken to No. 10 + to Robin Butler's office + the suggested line is that the request should be refused on the grounds that no decision has yet been taken, & when a decision is reached, it will be announced to the House.

Content?

Alex

11.15

LORD PRESIDENT

File XB
LOGARR
cc BG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 January 1988

DEREGULATION

The Prime Minister has seen your Secretary of State's minute of 27 January and his proposal that she should circulate a note to members of E(A) reiterating the importance of considering the needs of business as policy is formulated. The Prime Minister fully supports that theme but, particularly as the principles have already been agreed in MISC 133, she doubts if it would be appropriate or have much impact also for her to circulate a note to E(A) at this stage.

PAUL GRAY

Miss Alison Brimelow,
Department of Trade and Industry.

MANAGEMENT IN CONFIDENCE

File PMMAQM

SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ROBIN BUTLER

IMPROVING MANAGEMENT IN GOVERNMENT: THE NEXT STEPS

The Prime Minister held a meeting this morning to discuss the paper attached to your Private Secretary's minute of 14 January. The Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Employment, Environment, Trade and Industry, Transport and Social Services, the Minister of Agriculture, Fisheries and Food, the Lord President, the Lord Privy Seal, the Chief Secretary, the Minister of State Privy Council Office and Sir Robin Ibbs were present.

Opening the discussion, the Prime Minister recalled that at the Group's last meeting, Ministers had agreed to commit themselves to the "Next Steps" approach, subject to certain points being resolved with the Treasury. You then introduced your paper. This dealt with the scope for privatising some executive functions and for bringing back under closer Ministerial control some functions now carried out by quangos; the appointment and terms of service for agency chief executives; and the legislative implications of the proposals. Your note included at Annex B, a Treasury paper, prepared in consultation with yourself and the Efficiency Unit, which suggested a procedure for setting up the initial agencies and their subsequent control.

8/1

The following were the main points made in the discussion:

(1) Although some Ministers saw scope for extending the agency concept to a large part of their Departmental functions, several Ministers suggested that there was a limit to the number of agencies which could sensibly be created. There were, for example, difficulties in establishing agencies in services where executive and policy functions were combined. It would be wrong to give the impression that the agency approach could be extended to the greater part of the Civil Service. The concept should not be oversold.

(2) After it was suggested that the arrangements suggested by the Treasury in Annex B looked to be onerous, it was pointed out that the arrangements described in Annex B had been agreed after intensive consultation with the Efficiency Unit and represented the Treasury's views on the necessary controls for the establishment and operation of the agencies. Nevertheless, it was important that the arrangements were not exercised in a bureaucratic or inflexible manner. To some extent, the drafting made the paper appear unduly restrictive; for example, the reference in paragraph 2 to ".....permitting the exercise of responsibility....." would better read "....encouraging the exercise of responsibility....". The reception of the paper would be improved if similar drafting changes were made to its text so as to convey a more positive approach to the exercise.

(3) In some cases, legislation would be required to establish an agency. The Vehicle Inspectorate was a case in point and so possibly was the DVLC.

(4) The public statement should make no reference to bringing into departmental agencies functions now carried out by quangos.

(5) Several Ministers expressed regrets that significant restraints appeared to be placed on the hiring and firing of Chief Executives and that the expectation now seemed to be against hiring Chief Executives from outside the department. It was a pity too that there would be real constraints upon the ability of agency management to hire staff, particularly if the Civil Service Commission's rules were applied inflexibly. In this connection, it was pointed out that paragraph 19 of the Treasury's note gave flexibility in that it envisaged the possibility of agencies recruiting staff in accordance with schemes agreed with the Commission. It was extremely important that the agency approach did nothing to inhibit the special arrangements which had permitted departments to recruit top calibre people from the private sector for specific jobs.

As a separate matter, there was a strong case for reviewing the arrangements whereby the Civil Service Commission insisted that certain appointments held by outsiders had to be subject to open competition even if a Minister wished to re-appoint the present incumbent. For understandable reasons, senior managers recruited from the private sector were unwilling to subject themselves to such open competition when their appointment came up for renewal. The Commission's insistence on this procedure had, at least in one instance, caused a department to lose a highly successful manager.

(6) The arrangements proposed for agencies would probably not create opposition in the House as regards questions, MPs' letters and so on. But there could be problems with Select Committees if Chief Executives were stimulated to criticise the Government. The Treasury and Civil Service Select Committee (TCSC) would no doubt wish to take evidence on the "Next Steps" approach. Oral evidence should be given by the Minister of State Privy Council Office, and not on any account by the Prime Minister.

(7) The draft answer should be amended to distinguish between departments' work in the delivery of services and in policy formulation, and to make clear that the agency approach applied to the service delivery function. It was agreed that the reference to the recommendations in the eighth line from the end of paragraph 3 should read ".....the Government accepts the above recommendations....". The term "Unoccupied Royal Palaces" gave an unfortunate impression, and a better title should be devised for that agency. The announcement should list the functions identified as possible agencies.

(8) The arguments were finely balanced as to whether the answer should be made by Written Answer or Oral Statement to Parliament. There was a risk that there would be a Parliamentary row if such an important change in the machinery of Government was announced by a Written Answer.

(9) Before any announcement was made, it would be important for departments thoroughly to brief their staff, particularly those in the blocks of works identified for agency treatment.

Summing up the discussion, the Prime Minister said that Ministers endorsed the approach in the paper before them, including the arrangements described in the Treasury's note at Annex B of the paper, though the Treasury should take care to avoid operating the arrangements described there in a bureaucratic manner. As suggested in paragraph 2 above, the Treasury should consider the drafting of their note at Annex B so as to convey a more positive approach to the exercise. The announcement should be made by an Oral Statement. You should prepare a draft statement for the Prime Minister's consideration, based on a shorter version of the draft at Annex A. The draft should take account of the points made in discussion and particularly the points in paragraphs 1 and 7 above and make it clear that the agency approach applied only

to departments' service delivery functions. It should avoid raising expectations about the extent of the application of the agency approach. You should also provide answers for supplementaries likely to arise on the statement. You should consider whether there needed to be a reference in the statement to legislative consequences or whether this could be dealt with in answers to supplementaries. You should check that the arrangements for recruiting chief executives and senior staff of agencies were not unnecessarily inhibited by the requirements of the Civil Service Commission; and report to the Prime Minister. As a separate exercise, you should also put proposals to the Prime Minister for avoiding the situation whereby existing post holders, recruited from outside, had to resubmit themselves for open competition before their contracts could be renewed. The issues on the Next Steps Report should now be put to Cabinet for their endorsement, as soon as convenient. Meanwhile, arrangements should be carried forward in departments to prepare the necessary briefing for staff so that the Statement to Parliament could be made in the afternoon after the matter had been considered by Cabinet, if Cabinet so decided.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Employment, Environment, Trade and Industry, Transport and Social Services, the Minister of Agriculture, Fisheries and Food, the Lord President, the Lord Privy Seal, the Chief Secretary, the Minister of State Privy Council Office and to Sir Robin Ibbs.

N.L.W.

N. L. WICKS
28 January 1988

dti

the department for Enterprise

Prime Minister

Do you want to do this? — minute attached for signature if you do. Given that these principles have already been agreed through the MISC 133 machinery I do just wonder whether they warrant a Personal Minute from you to E(A) as well.

PRCG 28/1

PRIME MINISTER

DEREGULATION

The Ministerial Group on Deregulation (MISC 133) believes that it would be worthwhile to put fresh impetus behind our policies to encourage wealth creation and serve business across the range of Government activity.

2 The Group endorsed a statement outlining our philosophy and objectives. I believe that it would be worthwhile for you to circulate a summary to colleages on E(A) under cover of a note reiterating the importance of considering the needs of business as policy is formulated. I hope you will agree to send a minute along the lines of the attached draft.

I don't think we have an event to link it to. It would be lost

D Y

27 January 1988

DEPARTMENT OF TRADE & INDUSTRY

the Enterprise initiative

DW4CYM

ENTERPRISE AND DEREGULATION
THE PRINCIPLES

It is the Government's policy to reduce regulation and encourage enterprise so that business can grow, create wealth and provide more jobs. We work to achieve this by:

- ensuring that full account is taken of the impact proposals may have on business when new policies are developed or past policies are reviewed.

- improving our understanding of business problems at all levels in Departments.

- ensuring that the services supplied to business by Government are efficiently and effectively delivered.

- removing regulations and requirements which are no longer necessary, irrelevant or just too costly to business to justify their intended benefit.

- improving our relationship with business through training, greater consultation on our ideas and how they are presented.

We want to encourage individuals and groups in businesses to take up challenges and opportunities. This can be hampered through too much bureaucracy and regulation or the lack of ready access to relevant support. We are here to help and stimulate initiative and innovation. Any contribution we make is therefore a vital ingredient in meeting this aim.

Ref. A088/312

PRIME MINISTER

Next Steps - Meeting of Ministers on 28 January

This is a supplementary brief on a point which may be raised by the Chancellor at your meeting on Next Steps.

2. The Chancellor may suggest that, if a preface is to be included in the published version of the Next Steps report, it should include a disclaimer to the effect that the Government does not necessarily endorse all the report's findings. The deeper point is that Treasury wish to be free to disagree publicly with certain parts of the report, in particular the evidence on the effect of central controls on pay and running costs presented to the Efficiency Unit and reported in the Annex on Findings. Given the press leaks in recent months, Treasury Ministers are likely to face quite probing questions on the Treasury attitude to the report, eg on how far they are responsible for delay and what their view is on certain of the report's findings.

3. The formal position proposed is that the Government accepts the recommendations of the report. The report however remains the Efficiency Unit's and the Government is not committed to every detail. But it is essential that the Government's general attitude to the document should be seen to be positive. Explicit disclaimers could well be seen as inconsistent with the Government statement of commitment to the recommendations, and any different emphasis by the Treasury could be used to suggest lack of unity in the Government.

4. I hope that, if the proposed statement is to be made, you will get a firm commitment from the Chancellor that in

responding to questions the Treasury will welcome the report as positive and helpful, and that they will not go out of their way to raise or stress points of disagreement. The focus must be on the Government's acceptance of the report's recommendations.

5. On the narrow point about the foreword to the report, I suggest that it would be preferable not to include any preface, rather than to include one with an explicit disclaimer. The position would then rest on the Government's statement made to the House.

6. On a different matter, in paragraph 7 of my previous brief I referred to the announcement of the initial agencies. On reflection it seems to me that this list should also be made available to Parliament, perhaps by placing it in the Library at the same time as the report. This will require a minor amendment to the statement. You may like to mention this at the meeting, though it could be left for Cabinet.

R.R.B.

ROBIN BUTLER

27 January 1988

cc Blyo

Ref. A088/274

PRIME MINISTER

The Next Steps

file with PQ.

You are to hold a meeting after Cabinet on 28 January of the group of Ministers which has been considering Sir Robin Ibbs's report on Improving Management in Government: The Next Steps.

2. At the meeting on 22 October the majority of Ministers agreed that the Government should commit itself wholeheartedly to the 'Next Steps' approach, but that a further note should be prepared developing the proposals to meet the concerns of the Chancellor of the Exchequer and suggesting a procedure for carrying the work forward.

3. Since October there has been lengthy discussion between the Treasury and the Efficiency Unit, centring on the degree of involvement of the Treasury in the processes of setting up and managing the agencies. The discussions resulted in agreement between Sir Robin Ibbs, Sir Peter Middleton and my predecessor that the proposals circulated as Annex B to the paper represented an acceptable way forward. These proposals are designed to ensure that proper controls of public expenditure, running costs, pay and Civil Service recruitment are maintained while permitting the exercise of responsibility and the release of energies recommended by the Next Steps report. The proposals require, for example, Treasury agreement to agency frameworks (paragraph 10) and to the terms and conditions of employment of agency Chief Executives (paragraph 13).

4. Some departmental Ministers are likely to be disappointed at the hoops which they will be required to go through before any

greater degree of delegation can be agreed. Sir Robin Ibbs regards the proposals as acceptable providing that implementation of his recommendations is made the responsibility of a Project Manager with sufficient clout. (You have approved my proposals on this, with which Sir Robin Ibbs is content.) The role of the Project Manager is described in paragraph 18 of the paper and paragraph 3 of Annex B, and the final paragraph of the draft statement (Annex A) also refers to the appointment. I recommend that you do not reveal to colleagues the identity of the Project Manager at this meeting (the Chancellor already knows).

5. A small point on which disagreement remains is on paragraph 3 of the draft statement, where the Treasury would like to insert 'four' as shown in square brackets. Their concern is to avoid it being thought that the whole Ibbs report is being accepted, but others may regard what is being accepted as clearly defined by the word 'those'.

6. The main task of the meeting will be to confirm on the one hand that the Chancellor is content that his concerns have been met and on the other that departmental Ministers are content to press forward with agency proposals subject to the procedures in the paper. My discussions indicate that Ministers remain keen to press forward and will be ready to accept the proposed constraints.

7. You will also wish to discuss the procedures for presenting an announcement of the Government's decision. Subject to the views of the meeting, I suggest that the papers are placed on the Cabinet agenda for 4 February. It would be desirable however to delay announcement until the week beginning 21 February, since Sir Robin Ibbs will be abroad from 6-19 February. This delay will also allow preparation of messages to all civil servants to be distributed concurrently with the announcement and arrangements to be made for the unions

to be informed. I understand that under this timetable Departments would also be content to reveal the proposals for initial agencies at the time of the announcement, and would not require the 48 hours suggested in paragraph 20 of my paper. This would certainly make the handling of the announcement much easier. It is suggested that the announcement of the initial agencies should be in the attached terms.

8. Paragraph 20 of my paper also described the different views on whether there should be an oral or written Parliamentary statement.

Handling

9. You may like to start by reminding the meeting that the group on 22 October agreed to commit itself to the Next Steps approach but asked for further work on several outstanding issues. I will then be ready to introduce the paper if you wish. You may then like to invite any further comments from the Chancellor, since the paper was prepared to meet his concerns, and from Sir Robin Ibbs.

10. In discussion you will want to invite views from departmental Ministers and then from the Lord President on Parliamentary presentation. The Secretary of State for Trade and Industry may want to add comment on handling in the Lords.

Conclusions

11. Subject to the discussion, you could sum up that the proposals should now be taken forward to full Cabinet with a view to a Parliamentary announcement in February.

R.R.B.

ROBIN BUTLER

25 January 1988

NEXACA

AGENCIES UNDER CONSIDERATION: DRAFT Q & A

Q Which executive functions are the Government considering as suitable for initial agencies?

A The Government will be examining all its executive functions. But Departments have already been able to identify a number of areas which may be promising candidates for establishment as agencies. Examples of these are:

- Meteorological Office (MOD)
- Non-nuclear Research and Development Establishments (MOD)
- Employment Services (DE)
- Passport Department (Home Office)
- Resettlement Units (DHSS)
- Companies Registration Office (DTI)
- Royal Parks (DOE)
- Unoccupied royal palaces (DOE)
- Queen Elizabeth II Conference Centre (DOE/PSA)
- Driver and Vehicle Licensing Directorate (DTp)
- Vehicle Inspectorate (DTp)
- HMSO.

Not all of these will necessarily become agencies, nor has the form and timescale of any changes been decided. Ministers will make decisions on each area in the light of further work which is now being put in hand to draw up appropriate policy and resources frameworks.

Questions on individual agencies should be addressed to the Departments responsible.

GOV MACH : Raynal

CCBG

PH Gray

OFFICE OF ARTS AND LIBRARIES
Horse Guards Road
London SW1P 3AL
Telephone 01-270 5929

From the Minister for the Arts

C88/443

Paul Gray Esq
10 Downing Street
LONDON SW1A 2AA

25 January 1988

Mr. Addison
Can Parliamentary deal handle the PQ attached to Mr. Luce's minute of 14 Jan., advising OMCS and X, please?
PHG
26/1.

Dear Paul,

REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

Thank you for your letter of 21 January recording the Prime Minister's comments on this Report.

Officials have been asked to reflect these views in the new edition of the Guide to Departments on Non-Departmental Public Bodies and in other material they issue. A further report will be prepared in two years on how the new arrangements are operating.

X On timing, the arranged PQ might ideally be answered in the course of this week to ensure that it is well out of the way before any announcement is made on the "Next Steps". Please let me know which day suits you best, so that we can alert our Press Office to respond to enquiries.

I am copying this letter to recipients of your letter.

Yours ever

Judy.

MISS J WRIGHTON
Assistant Private Secretary

Sir.

I think this can be answered on Thursday. Would you deal, in consultation with Adrian Hamilton and Judy Wrighton, please?

MBA 26/1

GOV MACH - Rayner Pr26

File PrimAPS.
cc BG,
MCA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 January 1988

REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

The Prime Minister has seen your Minister's minute of 14 January.

The Prime Minister notes that the programme of reviews has now been completed for most of the major NDPBs, but is slightly concerned that the full programme is not yet completed. She attaches importance to full completion by the end of 1988 as your Minister now proposes.

The Prime Minister is content with the proposed handling of the reviews of NDPBs in future and with the terms of the proposed PQ answer. She does however attach particular importance to the need rigourously to demonstrate the case for any new NDPBs. She welcomes the emphasis on the importance of strict financial and management controls, and hopes as many NDPBs as possible set up effective corporate planning systems.

The Prime Minister would be grateful for a further report in two years on how the system is operating.

Perhaps you could let me know whether your Minister has any preference on the timing of the arranged PQ.

I am copying this letter to the Private Secretaries to Ministers in charge of departments, the Paymaster General and to Sir Robin Butler.

PAUL GRAY

Miss Eleanor Goodison,
Office of the Minister of State Privy Council Office.

JC

SLHARR

PRIME MINISTER

REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

Please see Mr. Luce's minute of 14 January. I doubt if you need plough through the full report.

The OMCS and the Treasury

(a) report on the progress made with reviews of NDPBs since 1984 and
(b) set out proposals for the future review regime.

The review record over the last three years is slightly disappointing in that only three-quarters of the bodies have been reviewed compared with the target for full completion by April 1987. It is now proposed that remaining reviews should be completed by the end of 1988 (although at one point the detailed report refers to the end of 1988/9).

For the future the proposed system involves some relaxation, in that the uniform minimum requirement would be for a review every five years; whereas in the past advisory bodies (though not executive bodies and tribunals) have had to be reviewed every three years. But this would be matched by an increased emphasis on the importance of the improved operation of day to day management systems in NDPBs.

Are you content with the proposals and the draft PQ subject to:

(i) Mild expression of regret that the full cycle of reviews is not yet completed and stressing the importance of full completion by the end of calendar 1988?

(ii) Stress the importance of as many NDPBs as possible setting up effective corporate planning systems.

(iii) Rigorous application of the need clearly to demonstrate the case for any new NDPBs?

(iv) A further report back to you on how the system is operating in two years?

PRCG.

(PAUL GRAY)
19 January 1988

ps7/27L

CONFIDENTIAL - MANAGEMENT IN CONFIDENCE

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

R 18/1

18 January 1988

Mrs Tessa Gaisman
10 Downing Street
LONDON SW1

Dear Tessa

Mr Allan has asked me to thank you for your letter of 13 January arranging a time for the Next Steps Meeting after Cabinet on Thursday, 28 January, and changing the time of Cabinet to 10.00am on that day.

We have no difficulties with this date and time.

yours sincerely

Julie Thorpe.

MRS JULIE THORPE
Diary Secretary

GOUT MACH: Rayner pt 26

CONFIDENTIAL

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

Nigel Wicks Esq
Private Secretary
10 Downing Street
LONDON SW1

18 JAN 1988

Dear Nigel

VFM SEMINAR 9 DECEMBER

Thank you for your letter of 10 December recording the previous day's discussion on value for money in the Department of Transport. There is just one point, on the handling of the issues raised in the discussion, which I should record now.

The scrutiny which we have been discussing with the Efficiency Unit was intended to examine how this Department influences local authority capital spending, by means of capital expenditure allocations and Transport Supplementary Grant. There are important problems here and we are ready to start the scrutiny, which I understand the Efficiency Unit agrees should go ahead as planned.

Also raised at the seminar was the question what to do about local authority current spending on maintenance, where the authorities spend substantially less in total than we provide for in the Rate Support Grant. The Audit Commission is carrying out a major study of that expenditure and the value it yields. They are keeping us closely informed, and we shall of course be very interested in their conclusions, but it would not be sensible for us to duplicate what they are doing. When we have the Commission's report, we shall consider what can be done to tackle the problem of underspending on maintenance, including the question whether it would help to treat grant for this purpose separately from RSG.

I am sending copies of this letter to Roger Bright (Environment), Jill Rutter (Chief Secretary's Office), Trevor Woolley (Cabinet Office), Kate Jenkins (Efficiency Unit) and Hartley Booth (No.10 Policy Unit).

Yours sincerely
Roy Griffins

R J GRIFFINS
Private Secretary

CONFIDENTIAL

GOV MACH Rayer pt 28

19 [illegible] AM 88

MJ

SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

15 January 1988

Dear Jeremy,

VALUE FOR MONEY SEMINAR ON THE INLAND REVENUE

The Prime Minister held a Value for Money Seminar yesterday on the Inland Revenue. The Financial Secretary, the Head of the Home Civil Service, Chairman of the Board of Inland Revenue, Sir Robin Ibbs and Miss Charlotte Dixon (Efficiency Unit) were present.

The Financial Secretary gave a slide presentation on the Inland Revenue's work. The points made included:

1) The Revenue established each year detailed efficiency targets. It was thought wrong to set targets for individual inspectors, though local offices were given their own targets.

2) The Revenue were well aware of the need to minimise taxpayers' compliance costs and generally to provide their customers with a good service, as publication of the Taxpayers' Charter demonstrated.

3) The Department's work was labour intensive, with manpower accounting for three-quarters of their costs. Significant productivity improvements had been achieved in the last nine years. Numbers had been cut by 20 per cent since 1978-79, comprising one-fifth of the total Civil Service manpower reductions, excluding privatisation. 5,000 jobs had been saved through policy changes, such as the introduction of MIRAS, 4,300 from the implementation of efficiency scrutinies and 7,700 through management initiatives. At the same time as staff had been cut, the number of taxpayers had increased as tax cuts had concentrated on rate reduction rather than allowance increases. The composition of the taxpayers had become more complicated as the numbers of self-employed in companies had increased.

4) Various measures demonstrated the substantial increases in productivity achieved since 1979. Staff/taxpayer ratios

had improved markedly. Receipts per employer were much improved.

5) Computerisation had been, and would continue to be, vital in the drive for productivity. The PAYE computerisation had already saved 4,000 staff and 6,500 would have been saved by two years time. The Revenue were now moving to the computerisation of Schedule D which they hoped to complete by April 1989. Work was in hand on the computerisation of the collection services and on corporation tax assessment. It was a great tribute to those concerned that the PAYE computerisation was being completed on time and within budget.

6) Productivity of the Valuation Office had also increased significantly. The number of work units per examiner had been increased from 265 to 280 this year. The cost of stamping documents last year had been 84p against the £1 target; a target of 78p had been set for this year.

Turning to the future, the Financial Secretary emphasised that the task now was to go beyond the existing volume targets and to introduce real value for money targets, reflecting for example costs per unit. He had asked for a comprehensive series of such targets by the summer. Future productivity would continue to come from extending computerisation, tax reform and the implementation of efficiency scrutinies. To some extent the Revenue's drive for efficiency was inhibited by their problems in retaining staff, especially inspectors and staff located in the South East. The Board were tackling the problem by moving functions out of London - equivalent to the work of 180 inspectors - looking more closely at the sources of internal recruitment, encouraging married women to return, and reducing the time spent by inspectors on management training.

In answer to questions from the Prime Minister, the Financial Secretary and the Chairman of the Board replied:

1) As recent figures for the yield and cost of administration of capital gains tax demonstrated, there was a clear trade-off between the costs of administration and equity between taxpayers. Treasury Ministers always considered this aspect when making decisions on the Budget. The Prime Minister commented that sometimes it was wrong to strive for an excessive degree of fairness; it was necessary sometimes to plead rough justice.

2) The Board had considered privatising more of the work of the Valuation Department, but had encountered resistance from the Department of the Environment. There were difficulties in pressing for more privatisation in the immediate future in view of the considerable prospective workload arising from revaluation of business premises.

3) The greatest single blockage in pushing forward the efficiency programme was the lack of adequately qualified

staff. A few hundred more qualified inspectors would make a great difference.

Summing up the discussion the Prime Minister said that the Department had made considerable progress in improving its productivity over the last few years. But as the Financial Secretary and the Chairman had agreed, there was still more to do. High priority should be attached to the establishment of the real value for money targets to which they had referred. It would certainly be important to ensure that the management systems were in place which would permit those targets to be used to increase the pressure for efficiency. She believed it important that there was a careful assessment during the preparation of each budget of the opportunities for simplifying the tax system and so reducing costs of administration.

I am sending a copy of this letter to Sir Robin Butler, and Sir Robin Ibbs.

Yours ever

Nigel Wicks

N.L. Wicks

Jeremy Haywood, Esq.,
H.M. Treasury.

CONFIDENTIAL

Ref. A088/121

MR WICKS

Improving Management in Government: The Next Steps

At the meeting of Ministers on 22 October 1987 the Prime Minister commissioned further work from the Head of the Home Civil Service, on the scope for privatising some executive functions, and reclaiming greater Ministerial control of quangos; the risk/reward package for agency Chief Executives and the legislative implications of the proposals; and to suggest a procedure for carrying the work forward.

2. I attach a paper by the Head of the Home Civil Service in response to this commission for discussion by Ministers on 28 January.

3. I am copying this minute and the paper to the Private Secretaries to the Chancellor of the Exchequer, the Home Secretary, the Secretaries of State for Defence, Employment, the Environment, and Trade and Industry, the Minister of Agriculture, Fisheries and Food, the Secretaries of State for Transport and Social Services, the Lord President, the Chief Secretary, Treasury, and the Minister of State, Privy Council Office; and to Sir Robin Ibbs.

Trevor Woolley

T A WOOLLEY
PS/Sir Robin Butler

14 January 1988

CONFIDENTIAL

NEXABR

IMPROVING MANAGEMENT IN GOVERNMENT - THE NEXT STEPS

Note by the Head of the Home Civil Service

Introduction

At your meeting on 22 October 1987, it was agreed that the Government should commit itself wholeheartedly to the "Next Steps" approach, on the lines of the first option in paragraph 28 of Sir Robert Armstrong's note of 15 October 1987, subject to further development of Sir Robin Ibbs's proposals to meet the concerns expressed in discussion.

2. You invited my predecessor to provide a further note on the key outstanding issues which were:

- the scope for privatising some executive functions and for bringing back under closer Ministerial control some functions now carried out by quangos;

- the appointment and terms of service for agency chief executives;

- the legislative implications of the proposals.

You also asked him to suggest a procedure for carrying the work forward.

OUTSTANDING ISSUES

Privatisation and Quangos

3. In determining how best to deliver executive functions, the scope for privatisation should always be considered. Where Ministers decide that such functions are most appropriately carried out within Government, they should consider whether they

should be handled by an executive agency under Ministerial control, on the lines proposed in Sir Robin Ibbs's report. Each case would need to be considered on its merits.

4. Privatising the activity has the great merit that it can subject the management to commercial pressures for efficiency and successful operation without the need to simulate these within the government machine. In cases where this is not possible, the agency approach could provide a rigorous basis for control, while distancing day-to-day operations from Ministers. In some cases this may provide a more appropriate form of organisation for a particular set of functions than a non-departmental public body (quango). The new Employment Services Agency involves this type of change, with the transfer of major functions from the Manpower Services Commission, a non-departmental public body, to a departmental agency under the control of Ministers. There may be scope to bring the functions of other non-departmental public bodies under closer Ministerial control by changing them to agencies. Again, each case would need to be considered on its merits; and specific legislation would generally be required.

5. Whichever of these various approaches is adopted in a particular case, the arrangements will need to provide effective control of spending. Where the discipline of the market does not apply, for example where the agency is delivering a monopoly service, or has a regulatory role, the administrative cost, as well as the total cost of the agency must be properly controlled. This control will be provided by the detailed framework of objectives and resources set for the agency by Ministers and will be supported by the performance targets for the Chief Executive of the agency. Different solutions may be appropriate for different agencies, and each case will need to be examined on its merits. In all cases it will be essential that the agency should be set within a robust and effective policy and resource framework designed to encourage and

facilitate improved performance; the extent of management flexibility and the rate of its introduction will depend upon the proven effectiveness of the framework.

Appointments and Terms of Service for Agency Chief Executives

6. It might on occasion be appropriate to recruit a Chief Executive from outside the Civil Service, on a contract with a substantial performance-related element. Recruitment would be on the basis of "fair and open competition" through a public advertisement; civil servants would be eligible to enter into the competition.

7. But in most cases a career civil servant will be the best choice for the Chief Executive of an agency: indeed, it is a main purpose of Sir Robin Ibbs's proposals that there should be interchange between "policy" work in Departments and "management" work in agencies, and that the Civil Service should equip its people with the skills to take on such jobs and provide more executive management.

8. A Civil Service nominee selected on this basis would be appointed for a fixed term, with the possibility of an extension not excluded. This would emphasise the contractual nature of an appointment to a Chief Executive post and that success or failure would have repercussions. He would be paid at the rate appropriate for the relevant grade. In addition there should be a suitable performance-related element linked to defined performance objectives. The main element of this could be performance-related discretionary increments of the kind we have introduced for Grades 2 and 3 and are currently developing for Grades 4 to 7. The increments adopted for use for Chief Executives of agencies would not need to be identical either in number or in amount with those adopted at comparable levels in the Civil Service as a whole; but, if the disparities were too great, that would cause complications when Chief Executives left

agencies and were reabsorbed into other departmental duties. In suitable cases there might also be a terminal bonus paid on the achievement of defined and substantial results. The Treasury would need to be consulted about these arrangements, and about similar arrangements for key agency staff other than the Chief Executives.

9. It would need to be made clear to the Chief Executives before appointment that, if he fell significantly short of delivery on the defined objectives, he would be liable to lose the performance-related element in his pay, or to be relieved of that particular job or, in extreme cases, to be asked to leave the Civil Service. For these jobs the present provisions for premature retirement for civil servants who put in "limited performance" might need to be sharpened up. The main purpose of this element in the terms and conditions for Chief Executives would be to ensure that they and their Departments understood that defined and effective personal performance was an essential requirement for the job. This underlines the importance of defining clear, quantified performance indicators and targets for the activity, and the conditions necessary to enable the Chief Executive to achieve these targets.

10. It would be essential to establish a satisfactory method of setting and assessing individual performance for the Chief Executive. The individual performance targets should be based on the performance and output indicators which would be set for the agency as a whole as part of the framework. The performance goals would have to be agreed between the Chief Executive and the Department, and would be likely to imply obligations by the Department on (for instance) the stability of policy and the provision of resources for the work of the agency including the terms on which they were provided. Final decisions on the career consequences of a failure to meet performance objectives would have to rest with the Permanent Secretary, consulting the Minister of the Department concerned. They would review his

performance in achieving both personal objectives and the agency objectives set in the framework agreement. All these matters would have to be understood and accepted by the Chief Executive before he took up his appointment.

Legislative Implications of the Proposals

11. The creation of agencies within Departments to handle distinct operational functions will not of itself generally require legislation. Subsequent privatisation or conversion of agencies into non-departmental public bodies (or vice-versa) would do so in most cases. Some of the suggested changes in the Parliamentary financial control regime would need legislation if it were decided to implement them. Whether legislation is needed in each case (or across the board) would be for the responsible Minister to consider in consultation with the Treasury, the OMCS and the project manager and other affected Departments.

12. This paper and the earlier papers for the Ministerial group discuss some of the major issues which need to be considered and resolved as the first agencies are set up. The way in which these issues are resolved in detail is likely to vary from agency to agency, and would fall to be worked out by the project manager as planning and development work on the agencies takes place, together with the Treasury, the OMCS and the Departments directly concerned.

Accountability

13. As the paper for the Ministerial meeting on 22 October recognised, Ministers' formal accountability to Parliament would be unaffected by the implementation of the Next Steps proposals, though their detachment from day-to-day operations would entail changes in the way in which it was discharged. This would mean, for example, that Parliamentary Questions about the operation of

an agency would always be answered by the responsible Minister, albeit in the light of advice from the agency's Chief Executive. Ministers might choose to encourage MPs to address operational inquiries initially to the agency managers but MPs would retain the right to approach Ministers directly, if they were dissatisfied with the reply.

14. The announcement to the House should make clear that, while the intention is to apply the agency principle extensively throughout Whitehall, each case will be considered on its merits and suitable accountability arrangements devised to meet the circumstances of individual agencies. The public announcements of the establishment of individual agencies would set out any intended changes in the handling of MPs' inquiries.

15. The practical effects of the changes would be felt by Members of Parliament very gradually and in stages. A few agencies should be established in 1988; in the view of the Departments concerned none of them raises difficult problems of accountability. The full programme of establishing agencies to handle executive functions will take several years to complete.

Procedure for Carrying the Work Forward

16. I am minuting separately about the appointment of a "Project Manager".

17. The Treasury's responsibility for securing efficiency savings within public expenditure constraints will be unchanged. Careful handling will be required to ensure that the introductions of different agency solutions does not lead to an

impression of general pay and spending control relaxation. It will be for the "Project Manager" in conjunction with Departments and the Treasury to take forward the agency proposals and to arrange for the resolution of issues as they arise.

18. The "Project Manager's" basic task will be to ensure that all the recommendations of the "Next Steps" report are implemented within an agreed timescale. As a first step the "Project Manager" would be invited to recommend a programme and suggest a timetable for carrying it through. It would be for him to establish that departmental proposals for particular agencies:

- are soundly based and offer well-defined benefits;

- have a robust framework;

- specify what new management flexibilities are needed.

The "Project Manager" would act as a clearing house for dealing with issues for individual agencies which may have repercussions for other parts of the Civil Service, and would ensure that such issues are resolved effectively. An important aspect of his task would be to advise the Prime Minister through the Head of the Home Civil Service on progress with the programme of agencies.

--- 19. At Annex B is a note by the Treasury outlining a procedure for setting up the initial agencies and their subequent control.

PRESENTATION

20. Subject to the views of members of the Cabinet, the next step would be to make a public announcement of the Government's response to Sir Robin Ibbs's report and of the appointment of

--- the "Project Manager". I attach at Annex A a possible draft of an announcement to Parliament. This has been drafted as for a Written Answer to an arranged Parliamentary Question, in the belief that that is consistent with the low-profile evolutionary presentation to Parliament that Ministers have been inclined to favour. The Chancellor has, however, suggested that an announcement of this importance should be made by way of an oral statement. It will be for individual Departments to tell their staff and the unions which units are proposed initially for agency treatment. It will be essential that the identity of the initial units is not revealed at the time of the announcement, or until a reasonable period - of say 48 hours - has elapsed for the Departments concerned to forewarn their staff and unions.

21. As now drafted, the Answer would not commit Ministers to implementing the proposals in the report to a defined timetable or within a specified period, as recommended in the report.

22. Shortly before the announcement is due to be made, guidance on the Government's proposals should be issued to departmental Permanent Secretaries, for them to circulate to civil servants at the time of the announcement. A full question and answer brief would be provided with the central guidance.

23. Also shortly before the announcement it would be necessary to meet the Civil Service trade unions to explain the general principles of the "Next Steps" approach. There would probably need to be further and fuller discussions of the general principles with the unions at national level after the announcement. Detailed consultations about the creation and operation of individual agencies would be handled subsequently within Departments.

24. Copies of a final draft of the report are believed to be in the hands of some of the unions and some outside commentators. It is proposed that the report should be published in full when

an announcement is made. A complementary Press briefing package would also be prepared. Copies would be placed in the Vote Office, in the Libraries of the Houses of Parliament and sent to the Treasury and Civil Service Committee.

ROBIN BUTLER

13 January 1988

ANNEX A

DRAFT WRITTEN QUESTION TO THE PRIME MINISTER

Question

To ask the Prime Minister what progress is being made with the Efficiency Unit's scrutiny on Improving Management in Government.

Draft Reply

I asked the Efficiency Unit to look at progress with the reforms in the Civil Service. Last year they reported - 'Improving Management in Government: The Next Steps' - and recommended an approach to giving civil servants an increased sense of personal responsibility for achieving improvements. Copies of this report are available in the Vote Office and are being placed in the Library.

2. The report says that, while the management of Government business is much improved since 1979, substantial further improvement is possible. The developments of the last eight years have had a positive effect on the way civil servants involved in the delivery of services go about their business. The development of the various FMI systems, of new budgeting systems and of reforms in such areas as personnel management are all examples of positive changes during that period. Many Civil Service managers were found to be enthusiastic about changes made so far but conscious of continuing constraints on effective management, and keen to see further changes which give still more scope and flexibility for the exercise of personal responsibility by managers.

3. The report includes the following recommendations as a basis for further improvement in effective and responsible management:

- To the greatest possible extent the executive functions of Government, that is service delivery undertaken by Departments rather than Non-Departmental Public Bodies, should be carried out by executive units clearly designated within Departments, referred to in the Report as 'agencies', with responsibility for day to day operations delegated to a Chief Executive responsible for management within policy objectives and a resources framework set by the responsible Minister.

- Ministers should commit themselves to and put in hand a programme for completing the implementation of this objective progressively, agency by agency.

- Staff should be properly trained and prepared for management of the delivery of services whether within or outside central Government.

- There should be a force for improvement at the centre of Government which would maintain pressure on Departments to improve and develop their operations, and in particular a 'Project Manager' at a senior level to ensure that the programme of change took place.

The Government accepts the above ~~these [four]~~ recommendations, which will set the direction for further development in the programme of management reform. In particular, the Government believes that in appropriate cases the setting up of agencies would have advantages both in enabling management objectives to be defined more clearly, and in facilitating more effective and flexible management within a firm policy and resource framework. This will benefit management and staff alike.

4. As a first step, the Government is considering which executive functions might be suitable initally to be developed as agencies which could be established in various Departments

during the coming months. Each agency will work within a firm framework of policy and resources, which will be set by the appropriate departmental Ministers (in consultation with the Treasury). Each will be accountable to the Minister, who will in turn be accountable to Parliament for the agency's performance. These agencies will generally be within the Civil Service, and their staff will continue to be civil servants. We shall be improving training and career development to promote the objectives enshrined in this approach. The Government will develop a continuing programme for the establishment of agencies, in a way which will make it possible progressively to apply the lessons of the experience as further agencies are established.

5. The Civil Service unions have been told of the Government's response to the Efficiency Unit's proposals; and there will be continuing consultation, both about the general approach and, within individual Departments, about the setting up of particular agencies. The unions will be consulted if any change in terms and conditions of service is contemplated.

6. I have approved the appointment of Mr J Bloggs to a post in the Office of the Minister for the Civil Service with responsibility through the Head of the Home Civil Service to me for managing the process of change needed to implement the recommendations. He will bring forward proposals in consultation with Departments for a continuing programme of development of agencies over the coming years.

NEXABM

ANNEX B

Next Steps: Establishing and Administering Agencies

INTRODUCTION

This note sets out the steps to be taken by those responsible for the management of executive functions in Departments in setting up agencies. It describes the arrangements for the establishment of the great majority of agencies which will remain within the Civil Service; modifications will have to be considered case by case for non-Civil Service agencies. The arrangements will be kept under review and modified as necessary in the light of experience. No change affecting expenditure controls or pay controls as they exist at present will be introduced into the operational management of the agencies without the specific agreement of the Treasury. Similarly, changes in recruitment procedures must have the agreement of the Office of the Minister for the Civil Service (OMCS). Both the Treasury and the OMCS will, of course, be ready to give any further advice needed by Departments setting up agencies.

2. These procedures are designed to provide for the Treasury to be involved, where necessary, for the purpose of protecting the control of public expenditure, running costs and pay, at the same time as permitting the exercise of responsibility and the release of energies which it is the purpose of the 'Next Steps' recommendations to achieve.

3. The Project Manager will be responsible for assisting with the process of setting up the new agencies, for promoting the resolution of any difficulties that arise in the course of that process, and for ensuring that the establishment of each agency is successfully completed within whatever time-scale is agreed.

Identification

4. Provisional identification of potential agencies will be the responsibility of Departments, or Treasury Expenditure Divisions. The criteria will develop over time in the light of experience with the pilot agencies, but common features will be that the prospective agencies are, or can be made:

a. discrete administrative units, sufficient in size to justify major structural change;

b. wholly concerned with the delivery of services to the public or the Government;

c. independently accountable within their parent Departments.

Areas of work where the day-to-day involvement of the Department or its Minister is inevitable, or where policy and its execution are inextricably linked, are unlikely to be suitable candidates for agency treatment, at least initially.

Form of Organisation

5. Before further work is done on establishing an agency, the parent Department will consider the following:

a. Privatisation

Privatisation provides all the managerial freedoms and disciplines sought by the agency approach, and should normally be regarded as the preferred route unless there are compelling reasons to the contrary. If privatisation is not immediately practicable, but might become so later on, the Department will consider whether agency treatment is an appropriate transitional measure;

b. Contractorisation

If it is decided that a particular block of work is not a candidate for immediate privatisation in its entirety, consideration should be given to contracting out its management to the private sector;

c. Public Corporations

Large executive operations which already have an arm's length relationship with their parent Departments may be candidates for conversion into public corporations, especially where they are currently established as Trading Funds, whether under the 1973 Act or otherwise. This may be a good route to eventual privatisation;

d. Abolition

Closer examination of particular services as part of the preparation for setting up an agency may call into question whether they are needed at all, and, if so, whether their provision needs to be organised as a separate activity of the Department.

Analysis

6. Once a Department has satisfied itself that the work concerned is prima facie suitable for agency treatment, it will need to carry out a more rigorous analysis. The essential facts to be brought out at this stage are:

a. the prospective agency's aims and objectives and the functions to be covered;

b. the adequacy of the agency's internal management and financial systems;

c. the type of organisation best suited to ensure the desired results;

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d. the benefits sought from the agency approach;

e. the resources currently employed in the areas to be covered by the agency;

f. the outputs/unit costs now achieved in those areas; and proposed changes;

g. any new or modified functions to be carried out by the agency;

h. existing and planned performance measures;

i. the pay and expenditure regime;

j. the state of industrial relations within the agency.

k. any legislation likely to be required;

l. the arrangements for answerability to Parliament and individual members.

Provisional Approval

7. Assuming that the analysis is satisfactory and does not suggest that immediate privatisation or some other structure would be a better solution, the Department will submit outline proposals for approval in principle by its own Minister.

First Stage Review

8. The Department will discuss its outline proposals with the Project Manager. The Treasury will then consider the outline scheme, paying particular attention to the proposed pay, running cost and public expenditure control arrangements, and their possible repercussive effects within the public service and the

economy generally. Other Departments and agencies likely to be directly or indirectly affected will be consulted at this stage.

Preparation of Framework

9. The Department will draw up the key elements of the policy and resources framework for the agency. The framework will set out:

a. the relationship with the Department, including the circumstances in which the Minister will issue directions to the agency, and the extent to, and the arrangements under, which the agency will contribute to policy formation;

b. the agency's aims and objectives;

c. the conventions which the Department would wish to establish regarding answerability to Parliament and individual Members on the activities of the agency;

d. the nature of the resources to be provided, and of the outputs to be achieved, and how they are to be measured;

e. the machinery for accounting, audit, monitoring and reporting, both within Government and externally;

f. the arrangements for setting objectives and financial targets for the agency, where appropriate, and the arrangements for their periodic revision;

g. the expenditure classification and control mechanisms agreed with the Treasury for the agency when first established and any change which might be proposed subsequently;

h. arrangements for recruitment, pay, and other personnel management responsibilities and the extent to which these are delegated to the agencies;

i. the expenditure provision proposed for the agency in its first year, and the scale of the savings and performance improvements expected subsequently;

j. the terms of reference for the Chief Executive;

i. the method of recruitment and basis of remuneration for the Chief Executive and his key staff;

ii. reporting arrangements for the Chief Executive;

k. the industrial relations structure.

Approval of Framework

10. The framework, as agreed with the Treasury and the OMCS, will be submitted to the departmental Minister for approval. It will be for the Minister to clear his framework with the Chancellor of the Exchequer, the Minister of State, Privy Council Office, and the Prime Minister.

Staff Interests

11. The Department, in consultation with the Treasury, will consider when and how to consult its departmental trade unions on arrangements for staff representation.; the conduct of industrial relations within the agency, including the

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establishment of Whitley machinery, and its relationship with the Departmental Whitley Council; and any proposed changes in terms and conditions of service.

Legislation

12. Any necessary legislation should if practicable be introduced at this stage. If that would unacceptably delay the implementation timetable the agency may have to be set up with a temporary framework within existing powers. A note on the legislative implications of the "Next Steps" approach in relation to Parliamentary financial control is available; this has been drawn up by the Treasury in consultation with the Treasury Solicitor's Department.

IMPLEMENTATION

Recruitment of Chief Executive and Key Staff

13. The terms of appointment and the terms and conditions of employment of the Chief Executive and, where appropriate, his key staff will be agreed between the Department, the Treasury and the OMCS. The Prime Minister will need to be consulted at this stage about the more important appointments. Appointments will be by either:

a. Open competition on fixed contract; exisiting civil servants would be free to apply, but, if appointed on terms providing substantially higher rewards than normal scales might be required to resign from the career Civil Service. Reinstatement at the end of the contract would be a possibility, but there would be no guaranteed right of return; or

b. Internal selection:

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i. from within the Department; or

ii. by Service-wide advertisement.

Those appointed by this method would continue to be subject to Civil Service pay and conditions, including elgibility for performance-related increments, and any agreed bonus arrangements.

All agency staff (including the Chief Executive) will, at any rate initially, be civil servants, the main difference between the two methods of appointment being that method a. will offer high rewards in return for high risks, while method b. will balance lower remuneration against greater security of tenure.

Performance of Chief Executive

14. The essence of the "Next Steps" approach is that the agency's responsibility for delivering the agreed services in accordance with the framework should rest squarely on the Chief Executive. He or she can only be absolved from that responsibility by certain actions of the Department (eg by failing to provide the agreed resources) or by some form of force majeure.

15. The Chief Executive's contract must set out precisely what is expected of him and the circumstances in which performance-related awards will be given and the circumstances in which penalties, including termination of contract, enforced. Experience has shown that drawing up satisfactory contracts of this kind is extremely difficult and the assistance of the Department's legal advisers should be sought from the outset.

16. Chief Executives and other agency staff would be subject to the Civil Service Pay and Conditions of Service Code. Sanctions

against under-performing Chief Executives or key staff on fixed term contracts would include:

a. Termination of contract. This is unlikely to be a practical remedy except in cases of gross incompetence or impropriety;

b. non-renewal of contract; and

c. withholding or reduction of any terminal bonuses.

17. The Prime Minister should be consulted where it is proposed to terminate the contract of a Chief Executive whose original appointment was approved by her.

Assessment of Performance

18. The judgment on whether or not a Chief Executive has met the agreed targets for costs and performance should rest in the first instance with the agency's parent Department. The assessment will be made by the Permanent Secretary after consultation with the departmental Minister. It will be necessary to provide a formal appeal procedure where an adverse assessment leads to termination of contract; possible options, which would be written into the contract and would depend on the status of the Chief Executive concerned, would include appeal to:

a. the Head of the Home Civil Service;

b. an independent advisory panel;

c. the Civil Service Appeal Board.

None of these options would necessarily preclude subsequent recourse to an industrial tribunal, judicial review, or other

legal process, but should reduce the frequency with which that was likely to occur.

Recruitment of Staff

19. The methods of agreeing terms and conditions for the agency's staff will be set out in the framework. Agency staff will be appointed from those already doing the work, or transferred from elsewhere in the Civil Service, or recruited by a special exercise carried out by the Commission (or by the agency in accordance with a scheme agreed by them), or by a mixture of the three. There will be a presumption that pay, grading, and superannuation will normally follow Civil Service models unless alternative arrangements have been centrally negotiated, or negotiated by the agency with the approval and within guidelines laid down by the Treasury. Positive performance incentives will be considered in devising such arrangements. In considering requests for special treatment, the Treasury will need to be satisfied that it is essential for the achievement of the agency's target, that the cost can be contained within the agency's agreed resources, and that it can be ring-fenced. Other Departments and agencies will be consulted if there is a risk of repercussions elsewhere.

Modification of Framework

20. Shortly before or shortly after the appointment of the Chief Executive, the framework will have to be reviewed by the parent Department in consultation with the Treasury and the OMCS as appropriate to take account of his or her view of what can be delivered. One of the Chief Executive's first tasks will be to supplement the framework with a medium term corporate plan, to be agreed by the departmental Minister after consultation with the Treasury.

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Establishment of Agency

21. With the completion of these steps the agency regime would have come into existence.

RUNNING

Annual Planning

22. Each year, the Chief Executive will prepare a draft policy and resources plan in informal consultations with the Department and the Treasury. This will roll forward the corporate plan by a further year, and deal in greater detail with targets for the first year of the revised plan. The first three years of the plan will form the basis of the agency's input to the Department's PES submission.

Approval

23. The plan wil be subject to approval by the departmental Minister after consultation with the Treasury.

PES

24. The resources sought in the annual plan will be considered during the Department's PES discussions. They could be negotiated either as part of the Department's programme (or formal block budget where such an arrangement applies), or as a separate ring-fenced item. Whichever course is to apply must be agreed with the Treasury in advance. The agencies will be expected to deliver at least the general level of efficiency savings required in the PES settlement and, given the nature of their operations, it will in most cases be reasonable to set higher efficiency targets.

Running Costs

25. Where activities are classified as running costs now, they will continue to be so classifed. Their treatment will be based on the same principles as for resources overall: similarly, the relationship of the agency's running costs to those of the parent Department must be agreed with the Treasury in advance.

26. Claims for exemption from gross running cost control will be considered by the Chief Secretary against the criteria already agreed by Ministers from time to time.

In-year Adjustments

27. It will be up to Departments to ensure that the framework is sufficiently stable to make the need for in-year adjustments very unlikely. Any increases will have to be met from within departmental programmes, and Departments should not expect to make claims on the Reserve in respect of their agencies.

Reporting

28. At the end of each year, the Chief Executive will submit a report to the departmental Minister detailing performance against plan and the use made of the resources provided. The report will be accompanied by the draft rolling forward of the corporate plan. The report may be submitted to the Prime Minister after discussion with the Treasury and the Minister and will normally be published.

29. Careful monitoring of the agencies' performance will be essential, particularly while the concept is new, and will call for close consultation between parent Departments and the Treasury.

31 December 1987

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C88/197

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

REPORT ON REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

... I attach a report from the Paymaster General and myself on the programme of reviews of non-departmental public bodies (NDPBs) which you launched in a personal minute to Ministers in charge of departments on 22 October 1984. We sent you a progress report in July 1986.

2. The programme of reviews has now been completed in respect of nearly all the major NDPBs. Between October 1984 and April 1987 reviews were carried out in over 75% of executive NDPBs, 75% of advisory bodies and over 60% of tribunals. Setting aside one large executive body, the Manpower Services Commission where the review was postponed until after the election and has now been further postponed following the recent transfer of functions, over 90% of expenditure on executive NDPBs has been covered. The main omissions should be covered by the end of the year.

3. This review programme and parallel initiatives have saved some £30 million (and 1,830 staff) during the review period, as a result of winding up some 150 NDPBs and the rationalisation of others, financial management reviews, and other initiatives. Continuing savings over the 3 years to 1990/91 will amount to some £33 million per year (and 290 staff).

4. Departments and NDPBs also expect the additional value for money improvements from better budgeting, improved target setting and better measurement of output and performance. This extends to NDPBs the financial management approach we have been taking in the Civil Service.

5. For the future, the report concludes that the main task now is to make the new system in NDPBs work effectively and to secure progressively better results year by year. The main responsibility for this must rest with managers in the NDPBs themselves. Ministers in charge of departments and their senior officials will need to keep a close oversight, by ensuring that clear objectives are set and their achievements monitored, for example through an annual corporate planning cycle for at least the major bodies, and by setting high standards.

6. Because NDPBs are by definition at arms length and subject to less Ministerial and Parliamentary control than government departments, the report also recommends that each NDPB should be subject to a comprehensive review at least every five years, starting from the basic issue of the continued justification for its existence. A review after a shorter period would always be possible if, for example, circumstances changed significantly.

7. I believe we should accept these recommendations, which are set out in more detail in the report itself, as a sensible route to achieving progressive improvements in value for money in NDPBs while maintaining an appropriate degree of critical scrutiny of their continued operations.

8. I also believe we should take this opportunity to bring our stated policy on NDPBs up to date, and indeed to develop it further. Over the last few years, the Government has created on average 60 new NDPBs per year (although the net total has continued to decline slowly), and the establishment of further NDPBs - eg Housing Action Trusts, bodies linked to water privatisation, the Legal Aid Trust, and the Polytechnics and Colleges Funding Council - are key elements in our current legislative programme. I therefore believe that we should restate the general policy so that the suitability of the NDPB option in certain situations is more clearly acknowledged, while at the same time continuing to stress that all new proposals will be subject to close critical scrutiny. I think it would also be right to establish publicly the principles that legislation setting up a new NDPB should normally contain provisions enabling it to be wound up without further primary legislation and that consideration should always be given to setting up NDPBs for a finite period only (a "sunset" provision).

9. There is some limited linkage between this work and the "Next Steps" proposals, in that some of the proposed agencies could be NDPBs. But most agencies would, at least initially, remain within government departments, and the impact of the NDPB review will in practice be felt in existing NDPBs and in ones being created as part of our current legislative programme. Press speculation about the "Next Steps" has been almost entirely in terms of Civil Service reform, not the creation of new quangos.

10. In consequence, I recommend that the outcome of these reviews should be announced as soon as possible (you announced ... the start of the review in 1984): I attach a draft arranged PQ for this purpose. The report itself should not be published unless there are requests from Members to make it available.

11. I am sending copies of this minute and report to Ministers in charge of departments, to the Paymaster General and to Sir Robin Butler.

Richard Luce.

RICHARD LUCE
14 January 1988

DRAFT PQ

To ask the Prime Minister, whether the programme of reviews of non-departmental public bodies which she announced on 19 November 1984 (OR cols. 57 to 58) has now been completed, and if she will make a statement.

Yes. I have now received a report on the review programme from the Minister of State, Privy Council Office and the Paymaster General. By April 1987 reviews had been carried out in over 75 per cent of executive non-departmental public bodies (NDPBs), 75 per cent of advisory bodies and over 60 per cent of tribunals. For the period under review departments reported total savings from their funding of NDPBs of some £30 million and 1,830 staff, as a result of winding up some 150 bodies, rationalisation of others, financial management reviews and other initiatives. Further savings are planned of 290 posts leading in total to continuing savings of some £33 million per year. NDPBs also expect to achieve additional value for money improvements from better standards of financial management. In all, there were 524 fewer NDPBs on 1 April 1987 than in 1979.

For the future, I have accepted the recommendations in the report that the main responsibility for maintaining this progress should be placed on senior management in the NDPBs and their sponsoring Departments. In addition, all NDPBs will be subject to a comprehensive review at least every five years, which will consider the continued need for each NDPB, its objectives and its financial and other management systems.

For some particular tasks, non-departmental public bodies can be the most appropriate and cost-effective solution, but we shall continue to resist proposals for new bodies unless this can be clearly demonstrated, within a strict framework of financial and management controls. Legislation setting up new bodies should normally contain powers to permit winding up at a later date, if a fixed lifetime is not established at the outset.

Reviews of Non-Departmental Public Bodies

REPORT

Cabinet Office (OMCS)
HM Treasury

January 1988

Reviews of Non-Departmental Public Bodies

REPORT

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SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

1. On 19 November 1984 the Prime Minister announced a programme of financial management surveys of non-departmental public bodies (NDPBs) to be completed by April 1987. The surveys were to consider ways of improving the planning and control of activities so as to produce better performance year by year. They were to be in addition to the regular programme of reviews of the justification of each NDPB. A Progress Report on this initiative was submitted to the Prime Minister in July 1986. The present report summarises progress with financial management surveys and policy reviews from November 1984 to April 1987 and makes recommendations for future arrangements.

2. Reviews have been conducted of over 75% of all executive NDPBs, 75% of advisory NDPBs and over 60% of tribunals. From November 1984 to March 1987 departments reported total savings from their funding of NDPBs of some £30 million and 1,830 staff, as a result of the winding up of some 150 bodies and the rationalisation of others, financial management reviews, and other allied initiatives. Over the 3 years to 1990/91, a further 290 posts will be saved leading in total to continuing savings of some £30 million per annum.

3. Departments have also reported arrangements for achieving better value for money in NDPBs, through the installation of financial management systems comparable with those within the civil service, and designed to improve budgeting, target setting and measurement of output and performance. Top management in NDPBs are responsible for realising these improvements and for securing progressively better results year by year. Ministers and senior managers in sponsoring departments are responsible for monitoring their performance in this as in other respects.

4. For the future, the report recommends that:

(a) Outstanding financial management surveys should be completed by the end of 1988, except by agreement with Treasury and OMCS [paragraph 4.2].

(b) The primary responsibility for the maintenance of adequate and up to date standards of financial management should rest with NDPB management, as a condition of continued funding [paragraph 4.8].

(c) Sponsoring departments should ensure that NDPBs for which they are responsible

- have clear and, where possible, quantified objectives

- are held to proper account for the achievement of these objectives and the expenditure they incur

- are set good standards of financial management and performance targets, and use techniques such as an annual corporate planning cycle where appropriate

and should take prompt remedial action if they have any grounds for doubt about the standards of financial management within NDPBs [paragraph 4.8].

(d) Sponsoring departments, in consultation with Treasury and OMCS, should undertake a programme of NDPB reviews each year. This should meet the minimum 5-yearly requirement at (e) below, but should also reflect review

priorities arising from e.g. policy evaluation work and the annual public expenditure Survey. Departments should provide an annual return to OMCS and the Treasury summarising reviews carried out and planned [paragraph 4.8].

(e) In conjunction with the Treasury, the OMCS should ensure that departments fulfil the requirement for a comprehensive review of the continued need for each NDPB, its objectives, its level of resources, and its financial and other management systems, at least every 5 years [paragraph 4.8].

(f) The arrangements at (a)-(e) above should be introduced from 1988/9 onwards [paragraph 4.10].

(g) "Non-Departmental Public Bodies: A Guide for Departments" should be revised in the light of this report and other developments since 1985, and a new edition published in summer 1988 [paragraph 5.6].

REVIEWS OF NON-DEPARTMENTAL PUBLIC BODIES

Chapter 1: REASONS FOR REVIEWS

1.1 Non-departmental public bodies (NDPBs or quangos) are a significant portion of the public sector. In 1986 there were 1658 such bodies; between them they employed almost 150,000 staff and accounted for a total expenditure of £8.2 billion, of which £5.3 billion was funded by central Government. Two NDPBs, the MSC and the Housing Corporation, accounted for £2.5 billion of this public expenditure. The next 25 NDPBs in order of size accounted for approximately £2.1 billion.

1.2 There are three main categories of NDPB:

bodies with executive, administrative, regulatory or commercial functions, which usually employ their own staff and spend money (referred to below as "executive" bodies);

advisory bodies, normally supported by civil servants in the sponsoring department and not usually responsible for allocating resources;

tribunals, which perform a quasi-judicial role and do not normally employ their own staff.

In April 1986 there were 406 executive bodies, 1062 advisory bodies and 64 tribunals. (There were also 126 Boards of Visitors to Penal Establishments and their Northern Ireland equivalent.)

1.3 Although the trend in overall numbers of NDPBs has been downwards since the major review conducted by Sir Leo Pliatzky in 1979, new bodies have continued to be created. 130 new bodies were created in the period April 1985 - April 1987, including the 7 Residuary Bodies, Urban Development Corporations and the Scottish Legal Aid Board. Current proposals include those relating to Housing Action Trusts, to further Urban Development Corporations, to bodies associated with water privatisation, to the Polytechnics and Colleges Funding Council and other educational bodies, and to the Legal Aid Board. Up to April 1987, over 800 bodies had been wound up since the Pliatzky review, with a net reduction of 524.

1.4 While NDPBs are part of the public sector, by definition they have greater independence from Ministers and from Parliamentary scrutiny. For this reason, it is important that the justification for their greater independence should be re-evaluated periodically, and that the systems of financial management and control within the bodies, and between them and their sponsoring departments, should fully match current best practice in Government generally.

1.5 Since the 1979 Pliatzky report, departments have been required to review the justification on policy grounds of each NDPB and to examine critically the appropriateness of its current structure to performing its allotted functions. Subsequently, it was made clear in the context of the Financial Management Initiative (FMI) that responsibility for ensuring that NDPBs had effective management systems rested with sponsoring departments, and that the criteria for assessing effectiveness of such systems were to be based on similar principles to those guiding the development of the FMI within departments. Nevertheless, a study by the Financial Management Unit in 1984 found that some bodies still lacked "adequate mechanisms for defining and refining their objectives, for setting targets and for assessing actual achievements; the arrangements for forecasting and controlling

expenditure could also be improved." Ministers decided that the programme of policy reviews of NDPBs should be strengthened by a series of financial management surveys to be largely completed by April 1987. This initiative was announced by the Prime Minister on 19 November 1984. The terms of the Prime Minister's announcement are contained in Annex C.

1.6 In a financial management survey each department in collaboration with the management of its sponsored bodies was to look for ways of improving the planning and control of activities so as to produce better performance year by year, in line with established FMI principles. The aim was to give ministers and managers the means to define objectives, set targets and assess achievements. Tangible improvements in value for money were to be looked for from 1985/86 onwards.

1.7 Separately, all NDPBs continued to be subject to policy reviews. The current requirement is that policy reviews should be carried out every 5 years in the case of executive bodies and tribunals and every 3 years in the case of advisory bodies.

1.8 This report summarises progress on financial management surveys and policy reviews from November 1984 to April 1987. Except where otherwise indicated, it includes reviews which were the subject of the Progress Report submitted to the Prime Minister in July 1986.

1.9 The report includes reviews of bodies sponsored by the Northern Ireland Office. Reviews of bodies sponsored by Northern Ireland Departments are the subject of a separate report being prepared by the Department of Finance and Personnel (NI). These bodies (49 executive, 46 advisory and 12 tribunals) have been excluded from this report and from the tables it contains.

Chapter 2: PROGRESS WITH REVIEWS

Executive bodies

2.1 As a result of the Prime Minister's statement in 1984 a financial management survey and/or a policy review was completed for over three-quarters of all executive bodies by April 1987. These reviews have been carried out in the main from within departments, although in some cases departments have drawn on the expertise of private sector consultants. Table 1, in which departments are listed in alphabetical order, gives details of the number of bodies reviewed. Table 2 shows the figures as a percentage of total departmental bodies, of total departmental expenditure through NDPBs and of staff employed in NDPBs.

2.2 Departments have sensibly concentrated their attention on those NDPBs which represent the bulk of departmental expenditure and of staffing. All the large NDPBs were reviewed by April 1987 with the exception of:-

(a) Manpower Services Commission (Department of Employment), the review of which was postponed with the agreement of Treasury, MPO (now OMCS) and the Efficiency Unit until after the General Election, and has now been further postponed following the transfer of certain functions to the Department of Employment and the renaming of MSC as the Training Commission;

(b) Horserace Totalisator Board (Home Office), which has been separately reviewed in recent years;

(c) Criminal Injuries Compensation Board (Home Office), which was the subject of an efficiency scrutiny in 1982 and a staff inspection in 1984, and where a review was postponed by agreement with Treasury pending current legislation to place the Board on a statutory footing;

(d) Crown Agents (Overseas Development Agency), which have been subject to a separate programme of reviews following a fundamental re-organisation in 1983/84; and

(e) English National Board for Nursing, Midwifery and Health Visiting and UK Central Council for Nursing, Midwifery and Health Visiting (DHSS), which will be reviewed in the light of a current major policy review of nurse education and training; like all major DHSS executive bodies, the Board is subject to annual accountabiilty reviews of performance and objectives.

2.3 The National Economic Development Council and Office (HM Treasury), have in effect been reviewed as part of the exercise leading to a significant reduction in their current activities, following the Chancellor of the Exchequer's announcement to the NEDC on 1 July 1987.

2.4 Except in cases where a body has only recently been established, Departments expect to complete outstanding financial management surveys by the end of 1988/89.

Table 1: Executive Bodies

Department	Total number of bodies (as listed in "Public Bodies 1986")	Number of bodies reviewed (by April 1987)
MAFF	35	33
OAL[1]	20	20
MOD	7	7
DES	16	14
DE	43	40
DEn	2	2
DOE	29	27
FCO	7	7
DHSS[2]	11	7
HO	13	8
NIO	7	3
ODA	6	4
SO	76	61
DTI[3]	61	26
DTp	6	5
HMT	2	0
WO	16	14
TOTAL	**357**	**278**

1. Annex A paragraph A.7 summarises the programme of across-the-board reviews in the NDPBs sponsored by the Office of Arts and Libraries.
2. Excludes separate programme of annual accountability reviews of policy and financial management.
3. Includes 12 Regional Gas Consumers Councils abolished under the Gas Act 1986.

Table 2: Executive Bodies reviewed as a percentage of total departmental expenditure on NDPBs and of total staff employed by executive NDPBs.

PERCENTAGE REVIEWED (April 1987)

Department	Number of NDPBs	Departmental NDPB expenditure	NDPB staffing
	%	%	%
MAFF	94	99	98
OAL [1]	100	100	100
MOD	100	100	100
DES	88	99	100
DE	93	11	21
DEn	100	100	100
DOE	93	100	95
FCO	100	100	100
DHSS [2]	64	42	84
HO	62	83	43
NIO	43	98	97
ODA	67	100	36
SO	80	97	94
DTI [3]	43	80	84
DTp	83	100	99
HMT	0	0	0
WO	88	84	73
%age of total	78	64 [4]	67 [4]

1. See Table 1 Footnote 1.
2. Excludes separate programme of annual accountability reviews of policy and financial management. If included, percentages are 100.
3. See Table 1 Footnote 3. Omitting the Regional Gas Consumers Councils the percentage is 54%.
4. Percentage of Totals excluding MSC: 91% and 78% respectively.

Advisory bodies

2.3 75% of all advisory bodies have been subject to a policy review during the current cycle (763 out of 1014 bodies). In several cases a significant proportion of outstanding reviews are of multiple bodies. For example, in the case of the Scottish Office 73 multiple bodies will be dealt with in only 3 reviews. Remaining bodies will be the subject of reviews during the continuing programme. Table 3 shows the number of advisory NDPBs reviewed by each department between 1984 and 1987.

Table 3: Advisory Bodies

Department	Total number of bodies (as listed in "Public Bodies 1986)	Number reviewed (April 1987)	Percentage reviewed (April 1987)
			%
MAFF	47	40	85
OAL [1]	4	4	100
CO(MPO)	9	5	56
COI	1	0	0
MOD	44	44	100
DES	13	9	69
DE	185	77	42
DEn	5	2	40
DOE	21	18	86
FCO	6	6	100
DHSS	125	125	86
HO	136	132	97
LCD	205	205	100
NIO	2	2	100
ODA	5	4	80
SCA	1	1	100
SO	125	43	34
DTI	38	18	47
DTp	5	2	40
HMT	7	1	14
WO	30	25	83
TOTAL	**1,014**	**763**	**75**

1. See Table 1 Footnote 1.

Tribunals

2.4 Out of 59 tribunals sponsored by departments in 1986, 37 had been reviewed up to April 1987. Table 4 gives details of the number of tribunals reviewed by each department.

Table 4: Tribunals

Department	Total number of bodies (as listed in "Public Bodies 1986")	Number reviewed (April 1987)	Percentage reviewed (April 1987)
			%
MAFF	3	1	33
DE	4	0	0
DOE	3	2	67
FCO/ODA	3	2	67
DHSS	7	7	100
HO	8	4	50
IR	2	0	0
LCD[1]	5	2	40
SCA	2	2	100
SO	3	2	67
DTI	6	6	100
DTp	2	0	0
WO	11	9	82
TOTAL	**59**	**37**	**63**

1. Of the three tribunals not reviewed, two, the Immigration Appeals and Adjudicators, were transferred from the Home Office on 1 April 1987. The third, the VAT tribunal, which was transferred to LCD on 1 April 1986, is currently being reviewed.

Chapter 3: SUMMARY OF RESULTS OF REVIEWS

3.1 Policy reviews and financial management surveys can lead to:

(1) winding up or restructuring of an NDPB;

(2) specific identified savings;

(3) the prospect of future savings from a clearer statement of policy objectives for the body and a better framework for control by departments and from better management within the body, leading to improved value for money.

However, similar outcomes can result from other management initiatives by departments which may or may not be related to the formal reviews. In the case of specific savings, for example, departments found it difficult in some cases to distinguish between those which arose directly as a result of the formal reviews and those which resulted from other management action such as the closer scrutiny of expenditure following the widespread introduction of Top Management Systems within departments, or the effect of wider policy changes on NDPBs. This is not surprising. The application of improved value for money tests following the implementation of the FMI and related management reforms was bound to have an effect on the funding and financial management of NDPBs. The results therefore reflect the impact of overall improvements in financial management and not just the formal reviews.

Overall results

3.2 Short accounts of each department's progress with the formal review programme are contained in Annex A. For the period November 1984 to March 1987 departments reported total savings from their funding of NDPBs of some £30 million and 1,830 staff, either as a result of winding bodies up, financial management reviews or other allied initiatives. The continuing effect of all savings identified by departments over the remaining three years of the current PES period, ie to 1990/91, is some £110 million and a further 290 staff, on the assumption that previous funding levels would have continued in the absence of these actions. This represents total continuing savings of some £30 million per annum. Further, as yet unquantifiable savings, or greater outputs for the same inputs, should arise from the introduction of improved financial management procedures and systems.

NDPBs wound up

3.3 In the period November 1984 to March 1987, reviews and other management initiatives resulted in nearly 200 bodies being wound up or rationalised with public expenditure savings of just over £2 million and 86 staff. The continuing effect of these savings and the planned winding up of other NDPBs over the PES period will lead to further savings of £17.6 million and 219 staff. The bulk of this saving is accounted for by the abolition of the Washington Development Corporation in 1988 with potential savings of some £9.5 million of public expenditure and about 120 staff. In addition the sale of the National Seed Development Organisation was completed in October.

Other savings identified

3.4 For the review period, departments reported savings, such as those from improvements in efficiency, of over £29 million in public expenditure and 1,744 staff. The continuing effect of these and other savings expected over the remainder of the PES period is likely to reduce public expenditure on NDPB funding by a further £91 million and 70 staff. By far the largest single savings were in the General Practice Finance Corporation and the Agricultural and Food Research Council. By securing funds from the private sector the General Practice Finance Corporation (GPFC) achieved a reduction in public funding of £15 million in 1987/88. The recent White Paper on Primary Health Care (Cm 249) announced that the Government would be seeking powers to change the constitution of the GPFC to allow the maximum use of private sector funds. The Agricultural and Food Research Council (AFRC) has produced savings of £13 million per annum (over 1,100 staff). This reflects a reduction in the AFRC research commissioned by MAFF, an earlier reduction in its share of the science budget and reallocation of resources to new priority areas identified by the Council. AFRC has forecast further reductions of £5 million per annum (401 staff). Reforms to Wages Councils have resulted in possible administrative savings of almost £2 million.

Value for money improvements

3.5 Departments reported value for money improvements under three headings: improvements in output and performance; targets set, for example for reducing costs or increasing earnings; and improvements in planning, systems and procedures. A summary of these value for money improvements is shown in Annex B. Improvements recorded in the Progress Report are not included.

3.6 A large number of the benefits to emerge are in the form of improved financial management procedures and systems, the effects of which cannot be readily quantified. In line with the objectives of the FMI and the programme of financial management surveys, departments report that a higher proportion of NDPBs now have systems in place which enable better budgeting, improved target setting and better measurement of output and performance. There are also firm commitments from an increasing number of NDPBs to introduce or improve corporate planning, a development welcomed by the PAC in its Fifteenth Report, Session 1986/87 (HC38). The ultimate success of this work will have to be judged by the extent to which NDPBs accept and deliver more demanding targets for outputs and performance, or cope with reduced resources, year by year.

Chapter 4: FUTURE ARRANGEMENTS

4.1 The programme of reviews launched in 1984 concentrated on making sure departments and NDPBs had in place a framework of management and control systems and practices based on FMI principles which would allow them to produce progressive improvements in performance. Departments have confirmed that, with very few exceptions, such systems have now been established in all the major executive NDPBs.

4.2 A number of executive NDPBs had not been the subject of a financial management survey by April 1987. We recommend that outstanding financial management surveys should be completed by the end of 1988, unless postponed by agreement with Treasury and OMCS.

4.3 Now that NDPBs have, in the main, caught up with FMI practices adopted in departments, we have considered whether there should continue to be a formal programme of reviews in future. In its Fifteenth Report, Session 1986/87 (HC 38), the Public Accounts Committee commented that financial management and policy reviews are essential to effective sponsorship of NDPBs. In the sense that these reviews epitomise good financial management by Departments, that remains our view. There can be no question of discontinuing the substance of this work. Departments are bound from time to time to consider whether bodies should be retained, what level of funding is appropriate in relation to the objectives set for the body and whether the financial systems in place are adequate to protect public funds and maximise value for money. The issues now are how best to maintain good management within NDPBs; how best to ensure that these broader reviews take place at appropriate intervals; and whether Treasury/OMCS should continue to impose central requirements.

4.4 There is little doubt that the existence of the formal and externally imposed review programmes has acted as a stimulus. But as chapter 3 has noted, it has become difficult to distinguish in some cases between the benefits arising from the formal reviews and those resulting from other management action by departments, triggered by the wider improvements in financial management in recent years. Within departments there is now greater awareness of the need to review all expenditure systematically in terms of the extent to which it is fulfilling its objectives; and greater awareness of the need for adequate systems throughout the expenditure chain. It will also continue to be open to the central departments, for example in the context of the annual public expenditure Survey, to suggest reviews of particular programmes and activities. These considerations point to dispensing with a formal review cycle as intense as has applied recently.

4.5 Similarly, now that FMI principles have been applied to the bulk of NDPBs we do not think it appropriate for departments to be constantly reviewing their own arrangements for supervising NDPBs or the internal financial management arrangements within them. The tasks now are to bed-down the changes recently introduced, and to ensure that new systems are used and that good management practice in government continues to be applied promptly in NDPBs.

4.6 Against this must be set past experience which suggests that NDPBs - particularly smaller bodies - might not receive enough attention, given the need in exercises such as the public expenditure Survey to focus on larger issues. In this context, some departments have indicated to us that they regard the existence of a separate review programme as a useful discipline. In particular, it is likely to be easier for departments to handle relations with NDPBs they sponsor if reviews looking at the continued need for NDPBs can be presented as a centrally imposed requirement, and not necessarily an implied criticism of the work done by the NDPB in question.

4.7 Parliamentary concern over the arms length nature of NDPBs and the absence of direct Ministerial accountability also makes it of continuing relevance for the Government to be able to demonstrate that NDPBs give good value for money and have well defined and suitable policy objectives and adequate financial systems.

4.8 On balance, and bearing in mind particularly the findings in Chapter 3 that improvements in financial management are not now so dependent on formal external reviews, we conclude that for the future there should be a more flexible approach, recognising clearly the respective roles of NDPB management, sponsoring departments, and Treasury/OMCS at the centre of Government. Specifically, we recommend that

(a) The primary responsibility for the maintenance of adequate and up to date standards of financial management should rest with NDPB management, as a condition of continued funding.

(b) Sponsoring departments should ensure that NDPBs for which they are responsible

- have clear and, where possible, quantified objectives

- are held to proper account for the achievement of these objectives and the expenditure they incur

- are set good standards of financial management and performance targets, and use techniques such as corporate planning where appropriate

and should take prompt remedial action if they have any grounds for doubt about the standards of financial management within NDPBs.

(c) Sponsoring departments, in consultation with Treasury and OMCS, should undertake a programme of NDPB reviews each year. This should meet the minimum 5-yearly requirement at (d) below for individual NDPBs, but should also reflect review priorities arising from e.g. policy evaluation work and the annual public expenditure Survey. Departments should provide an annual return to OMCS and Treasury summarising reviews carried out and planned.

(d) In conjunction with the Treasury the OMCS should ensure that departments fulfil the requirement for a comprehensive review of the continued need for each NDPB, its objectives, its level of resources, and its financial and other management systems, at least every 5 years.

4.9 The effect of these recommendations would be to relax the present requirement for policy reviews for executive bodies and tribunals every 5 years and for advisory bodies every 3 years to a uniform minimum 5 year requirement; and would put reviews of financial management systems on to the same basis. Reviews after a shorter interval would not in any way be precluded if departments wished e.g. in the face of changed circumstances. The terms of reference for a comprehensive review as at paragraph 4.8(d) would need to reflect the nature of the body in question, as at present: the scale of a review of financial systems would clearly be much larger for a major executive body (e.g. the Arts Council) than for a small advisory body with no permanent staff.

4.10 We recommend that the arrangements described in paragraph 4.8 above should be introduced for 1988/89 onwards.

Chapter 5: CONCLUSIONS

5.1 The programme of reviews announced by the Prime Minister has been substantially completed within the specified timetable. The few significant exceptions are outlined in paragraph 2.2 above, and we have recommended (paragraph 4.2) that these should be completed by the end of 1988. In line with recommendations in the Progress Report, departments have agreed precise action plans with NDPBs for implementation of reviews, with dates for implementing key recommmendations and introducing targets for improved performance.

5.2 The programme asked departments to look at the scope for improving management and control systems and practices. This has been reflected by departments in recommendations relating to the establishment of clear financial and operational objectives and in an improved planning cycle. Departments expect the implementation of these recommendations to lead to the progressive improvements in NDPBs' performance which was the original aim of the programme as launched by the Prime Minister in 1984.

5.3 Departments will have a continuing role in supervising implementation and monitoring the results achieved. The review programme therefore can not be seen as a one-off exercise. The benefits of improved management and control systems will be realised only if they are used by Ministers and top management (both in NDPBs and in sponsoring departments) to assess performance and ensure that challenging targets continue to be set.

5.4 As explained in Chapter 3 above, it has proved difficult to distinguish savings arising directly as a result of formal reviews and those resulting from other management action, though worthwhile savings have been achieved. However we regard the installation of good management practices on FMI principles in NDPBs, and in their relations with sponsoring departments, as a significant step forward.

5.5 In the period since the 1979 review, parliamentary discussion of NDPBs has continued to place emphasis primarily on the reduction of the number of such bodies. Although the number of NDPBs abolished each year provides some measure of performance of NDPB policy, the main objective must be to maintain their cost-effectiveness, and, indeed, for some time it has not in practice been Government policy to reject proposals for new NDPBs on numbers grounds alone. However, while NDPBs can be the appropriate machinery to achieve particular objectives, clearly proposals for new bodies should continue to be examined to ensure that they are only set up if fully justified, and subject to strict financial and management controls within an appropriate policy framework.

5.6 Central guidance to departments is contained in "Non-Departmental Public Bodies: A Guide for Departments", prepared by OMCS and HM Treasury. The most recent edition was published in 1985 and was written within the context of the review programme announced in 1984. In particular, it will be necessary to set out the revised review arrangements described in Chapter 4 so that there is no ambiguity about what is required and to improve the guidance on eg the need for clear objectives and corporate plans. We recommend that the Guide should be revised in the light of this report and of developments since 1985, with a view to publication of a new edition by the summer of 1988.

ANNEX A

SUMMARY OF REVIEWS IN SPONSORING DEPARTMENTS

A.1.1 This annex summarises progress with the review programme in each department. It does not include reviews reported on in the comparable annex to the Progress Report submitted to the Prime Minister in July 1986, except where changes in the outcome of these reviews have been notified subsequently.

A.1.2 Departmental sections are arranged in order of total central funding devoted to NDPBs by the sponsoring department in 1985/86. This is shown in brackets at the beginning of each departmental section along with the total number of staff employed in executive bodies.

A.2 Department of Employment (Annual funding of NDPBs:£1,860m; Staff employed in NDPBs: 40,700)

A.2.1 DE is responsible for 43 executive bodies, and had reviewed all but three of them by April 1987. The largest of the executive bodies still to be reviewed is the Manpower Services Commission which accounts for nearly £1,600m of public expenditure and employs 21,000 staff. The Commission will be the subject of a review in the future.

A.2.2 Of the other executive bodies, there has been slippage in the early stages of the joint policy reviews and financial management survey of Remploy Ltd (£60m public expenditure and 11,000 staff) but a draft report has now been received. The review of the Co-operative Development Agency (£0.228m expenditure and 7 staff is also under way.

A.2.3 Initiatives in the Hotel and Catering Industry Training Board reduced staff from 177 to 165 between March 1984 and March 1986, with a saving of around £150,000 p.a. In addition guidelines have been drawn up for all ITBs for levy proposals submitted after 1 April 1987 and requiring Boards to produce strategic plans; it is anticipated that the guidelines should further assist improvements in output and performance. All 7 ITBs will be further reviewed before they are reconstituted in 1988. Reforms to Wages Councils included in the Wages Act 1986 have produced administrative savings of nearly £2m.

A.2.4 No change was recommended in the 15 advisory bodies reviewed since April 1986, but small savings have been produced in reducing the number of meetings of 2 advisory bodies associated with the Technical and Vocational Training Initiative. 77 of the 185 advisory bodies sponsored by DE have been reviewed in the current cycle. Reviews have still to be undertaken of the four tribunals the Department sponsors.

A.3 Department of the Environment (Annual funding of NDPBs:£1,280m; Staff employed in NDPBs: 13,200)

A.3.1 DOE has now reviewed all but 2 of its executive bodies. A review of the Royal Commission on Historical Monuments (in receipt of £2.65m public expenditure and employing 155 staff) has been postponed so that it can be carried out jointly with parallel Scottish and Welsh bodies. The Commission for the New Towns (£33m gross expenditure and 521 staff) has reverted to its original review timetable because of pressure of work arising from 2 NAO reports on dispersal of new town assets and the financial restructing of Development Corporations. Both reports are expected by the end of 1987.

A.3.2 As a result of the review of the Nature Conservancy Council savings of £8,000 p.a have been identified through reduced servicing costs and the abolition of the salary of the Chairman

of the Advisory Committee on Birds; further savings have been produced with the loss of one clerical post. In addition computerisation within the Housing Corporation will produce a net present benefit of £1.8m over six years, including staff savings of 25. Two New Town Development Corporations are due to be wound up at the end of 1987/88 with potential savings of up to 150 staff.

A.3.3 DOE has now reviewed all but three of its advisory bodies and all but one of its tribunals. No change was recommended in the reports on the 4 advisory bodies reviewed in 1986/87, but small savings have been produced by the curtailment of the work of the research sub-committee of the Building Regulations Advisory Committee. As was foreshadowed in a report in 1985/86 the London Housing Staff Commission has been wound up with a saving of £0.002m p.a.

A.4 Department of Education and Science (Annual funding of NDPBs: £670m; Staff employed in NDPBs: 12,900)

A.4.1 DES has reviewed all but 2 of its 16 executive bodies; the remainder, amounting to just under £4m public expenditure and 45 staff, will be reviewed in 1987/88. Two of the bodies reviewed have been in existence for only 3 years and no recommendations have been made relating to savings. However a number of changes have been recommended in the Centre for Information on Language Teaching and Research and the Central Bureau for Educational Visits and Exchanges (in receipt of more than £2m public funds).

A.4.2 The bulk of DES expenditure on NDPBs, amounting to nearly £640m, relates to the 5 Research Councils. In addition to the recently completed Resource Management Study of all 5 Councils, Financial Management Surveys will be undertaken of particular aspects of the Councils' business. Following the second stage of a reduction in commissioning funds from MAFF, together with

reorganisation and other reviews, the AFRC lost 401 posts in 1986/87. These reductions will save at least £5.4m per annum from 1987/88 onwards. However costs of £4.5m in 1986/87 and continuing costs of £0.7m per annum must be offset against these savings. Taking account of staff losses in 1985/86 to meet the first stage of the reduction in MAFF commissioning funds, AFRC will have saved £10.8m per annum. In addition there is a reduction of 6.5 staff in SERC and savings of £0.044m. The total savings identified in these two bodies amount to over 1,600 staff and nearly £20m.

A.4.3.The 4 advisory bodies not yet reviewed out of the total of 13 bodies will be examined in 1987/88. Following the passing of the Teachers Pay and Conditions Act the two Burnham Committees ceased to exist, with a saving of £113,000. However they are to be replaced by an Interim Advisory Committee.

A.5 Scottish Office (Annual funding of NDPBs:£410m; Staff employed in NDPBs: 18,200)

A.5.1 The Scottish Office has reviewed 61 of its 76 executive bodies and 44 of its 125 advisory bodies and 2 of its 3 tribunals. All but 2 of the outstanding reviews were orginally programmed for 1987/88 or later years. Of the bodies still to be reviewed, the largest is the Highlands and Islands Development Board, which receives £30m funding from central government and employs 263 staff; the Board has been the subject of a Financial Management Survey (reflected in this report) but a Policy Review is still being undertaken. Of the outstanding advisory bodies 73 multiple bodies will be dealt with in only 3 reviews.

A.5.2 The reviews carried out in 1986/87 have identified savings of £0.72m over the next three years in Colleges of Education and £2,000 in the Scottish Community Education Council. The Scottish Health Education Co-ordinating Committee will be wound up later this year with savings of £0.001m and the National

Committee for In-Service Training of Teachers has been replaced by a new advisory body. A further 2 executive and 4 advisory bodies have been wound up in separate initiatives, with a total saving of £0.017m. These include the Fire Services Examination Board (Scotland), which has been merged to form a UK body, and the Orkney Islands Shipping Company, which has been transferred to the local authority sector.

A.6 Northern Ireland Office (Annual funding of NDPBs: £290m; Staff employed in NDPBs: 16,500)

A.6.1 The Northern Ireland Office has completed reviews of the Police Authority for Northern Ireland, the Probation Board (NI) and the Police Complaints Board for Northern Ireland. The review of the Police Complaints Board recommended that the Board should be replaced by a new Police Complaints Commission.

A.6.2 The 4 executive bodies still to be reviewed comprise the 4 training schools management boards. A major joint review was carried out between 1976 and 1979 but its main recommendation cannot be implemented until legislation can be introduced in 1990. Until the new structure is in place, NIO do not regard a further review as appropriate.

A.6.3 Both of the advisory bodies for which NIO is responsible have been reviewed and no changes recommended. A review of the 6 Prison Boards of visitors will be postponed until it can be carried out jointly with the Home Office once the recommendations of the Prior Committee have been agreed and implemented.

A.7 Office of Arts and Libraries (Annual funding of NDPBs: £230m; Staff employed in NDPBs: 7,600)

A.7.1. The OAL is responsible for 20 executive bodies and 4 advisory bodies. In addition to comprehensive reviews of the Arts Council and the National Film and Television School, and

major structural studies of the National Maritime Museum and the National Museums and Galleries on Merseyside, it has met its obligations to the present programme by a combination of across-the-board policy reviews and studies of individual bodies and functions. This approach takes account of the fact that its executive bodies, in particular the 10 national museums and galleries, fall into groupings which logically must be reviewed together, as well as of the limited resources within OAL.

A.7.2. Reviews have included a substantial examination of arrangements for central government financing of national museums and galleries, which has resulted in a change to grant-in-aid finance from 1986-87 onwards. In addition, following a major study, plans are now well advanced for the transfer of responsibility for building and maintenance work from the Property Services Agency to the national museums and galleries during 1988/89. OAL has also made considerable progress with the introduction of corporate planning for all its major NDPBs and the preparation of new or revised financial memorandums to be issued to them. Studies conducted in individual bodies include visitor surveys in a number of the museums and galleries as well as such matters as internal audit arrangements and the provision of daily cleaning. There is a continuing programme of staff inspections.

A.7.3. By way of examples, the review of posts at the National Maritime Museum is expected to save £290,000 (8 per cent of the salary costs) this year, and more next. Improvements in the security arrangements at the British Museum over the next three years will reduce security costs by £300,000 per annum. The Wallace Collection has negotiated the printing of a new series of catalogues at a significant discount.

A.8 Department of Energy (Annual funding of NDPBs: £190m; Staff employed by NDPBs: 14,000)

A.8.1 The Department of Energy sponsors only 2 executive bodies. The UK Atomic Energy Authority represents virtually all the Department's NDPB funding and was the subject of a major policy review in 1984; as was recorded in the Progress Report, it is being allowed time to settle into its new operational mode as a trading fund. The Oil and Pipelines Agency (in receipt of funding of £0.7m and employing 41 staff) was established only in December 1985.

A.8.2 Of the Department's 5 advisory bodies, 4 have been established or reviewed since 1984, and the remaining one will be reviewed shortly.

A.9 Department of Health and Social Security (Annual funding of NDPBs: £160m; Staff employed by NDPBs: 3,300)

A.9.1. The DHSS has integrated the NDPB reviews with its other FMI implementation. Annual accountability reviews which set objectives and review performance have been introduced for the major executive bodies. Advisory bodies and tribunals have been incorporated in the DHSS Departmental Management Accounts process.

A.9.2 Within this framework DHSS has reviewed all but 4 of the 11 executive bodies listed in "Public Bodies 1986". Of the remaining bodies, the English National Board for Nursing, Midwifery and Health Visiting (employing 178 staff and in receipt of £66.8m in public funds) and the UK Central Council for Nursing, Midwifery and Health Visiting (97 staff and £0.32m in public funds) will be reviewed in the light of a major policy review currently being undertaken of nurse education and

training. The Health Education Council (77 staff and £10.2m) has been reconstituted as a Special Health Authority and is no longer classified as an NDPB.

A.9.3 In addition to value for money savings listed in Annex B, savings of £15m in forecast PSBR have been identified as a result of the review of the General Practice Finance Corporation. Staff inspections of the Central Council for Education and Training in Social Work and of the HQ operations of the English National Board for Nursing, Midwifery and Health Visiting have identified savings of £125,000 and £45,000 respectively. In addition to savings so far of £28,000 in the Public Health Laboratory Services Board, an efficiency savings target has been set of £500,000 over the period to 1991/92. There is also a forecast saving of £2,000 per annum from a reduction in remuneration fund to the Chairman of the Medical Practices Committee.

A.10 Foreign and Commonwealth Office (Annual funding of NDPBs: £90m; Staff employed in NDPBs: 4,400)

A.10.1 The FCO has completed reviews of all of its bodies. These included reviews of its two largest bodies, the British Council (with voted funding of nearly £90m) and the Commonwealth Institutes (£2.5m) as well as the Marshall Aid Commemoration Commission. No changes were recommended, but a number of value for money proposals were identified (see Annex B).

A.10.2 No changes were recommended in the 2 advisory bodies reviewed but the review of the Irish Pensions Appeals Tribunal recommended savings (as yet unquantified) from the transfer of administrative and other functions to the DHSS office in Dublin.

A.11 Welsh Office (Annual funding of NDPBs: £80m; Staff employed in NDPBs: 1,500)

A.11.1 The Welsh Office has reviewed all but 2 of its 16 executive bodies. The review of the National Museum of Wales (in receipt of £7.6m government funding and employing 372 staff), has been postponed to allow the Director to bring forward proposals for an improved management structure in the light of comments by the PAC in January 1987. The review is to be undertaken as soon as possible this year. Reviews have also been completed of 25 of the Welsh Office's 30 advisory bodies and 9 of its 11 tribunals.

A.11.2 As a result of the reviews, savings amounting to £0.005m pa have been identified in the All Wales Advisory Panel on Development of Services for Mentally Hanndicapped People. In addition the Health Education Advisory Committee for Wales has been replaced by the Welsh Health Promotion Authority. The Mortality Survey Group, which has completed its work, has been wound up with savings affecting a number of administrative and professional staff.

A.12 Department of Trade and Industry (Annual funding of NDPBs:£60m; Staff employed in NDPBs: 1,270)

A.12.1 DTI has reviewed 26 of the 61 executive bodies listed in "Public Bodies 1986" (12 Regional Gas Consumer Councils have since been abolished). Of the remainder, the two largest are the National Consumer Council (total funding £1.6m) and the Gas Consumers Council (funding estimated at £2.7m in its first year of operation). The review of the National Consumer Council has been postponed until 1987/88 to allow a new Director, appointed at the beginning of 1987, to settle in. The Gas Consumers Council was established under the Gas Act 1986 and it would be premature to review it at this stage. Reviews of 5 other bodies established in 1985 will also be postponed. With 1 exception, the remaining bodies to be reviewed are nationalised

industry consumer councils (amounting to £0.8m total funding and employing 37 staff). Reviews of these have had to be deferred to 1987/88 because of pressure on the branch concerned.

A.12.2 The reviews of a number of bodies, including the Monopolies and Mergers Commission, the British Technology Group and the 4 Post Office Users Councils and 13 Electricity Consultative Councils, have produced structural and operational improvements that will lead to increased efficiency. In addition, the staff of the British Technology Group has been reduced by 16 as a result of staffing and business rationalisation. The British Film Fund Agency is due to be wound up following a change in policy, with a saving of £0.008m. It is intended that the National Metrological Co-ordinating Unit will be wound up by secondary legislation with effect from 1.1.88.

A.12.3 DTI has reviewed 18 of its 38 advisory bodies and all of its 6 tribunals. Of the remainder, 17 are advisory committees on technology requirements. These were reorganised in 1985/86 and will be reviewed as a group in 1987/88. No change has been recommended in 12 of the advisory bodies reviewed in 1986/87. The China Clay Council has ceased to be a public body now that previous ministerial appointees have resigned. In addition the Space Consultative Committee has been wound up following a departmental review of space policy with a saving of £0.001m. The Licensed Dealers Tribunal will be wound up when its functions are taken over by the Financial Services Tribunal to be set up under the Financial Services Act.

A.13 <u>Ministry of Agriculture, Fisheries and Food</u> (Annual funding of NDPBs: £30m; Staff employed by NDPBs: 2,300)

A.13.1 MAFF is responsible for 35 executive bodies, 47 advisory bodies and 3 tribunals. It has reviewed 33 executive bodies, 40 advisory bodies and 1 tribunal.

A.13.2 Reviews have identified savings of £0.01m in the Wine Standards Board through a renegotiation with the Vintners Company of its funding basis, and, subject to finalisation of report, of up to £0.12m in the Agricultural Training Board through an introduction of charging for tutor training and a revised official car policy. Adoption of FMI principles and efficiency principles resulting from the review of the ATB should lead to further savings of to per cent in running costs. Comparable savings in Food from Britain are subject to finalisation of the report. There have been further savings from a reduction of 15% in the number of committee members of the 20 Experimental Centres Advisory Committees.

A.14 Home Office (Annual funding of NDPBs: £20m; Staff employed in NDPBs: 1,200)

A.14.1 The Home Office has reviewed 8 of its 13 executive bodies (amounting to over 80% of the Home Office's total funding of NDPBs in this category), 132 of its 136 advisory bodies and 4 of its 10 tribunals. The executive bodies not so far reviewed include a number of bodies recently established, as well as the Horserace Betting Levy Board, which has been separately reviewed in recent years, and Horserace Totalisator Board, neither of which are in receipt of public money.

A.14.2 No change has been recommended in the bodies reviewed in 1986/87.

A.15 Overseas Development Administration (Annual funding of NDPBs: £14m; Staff employed in NDPBs: 1,300)

A.15.1 The Overseas Development Agency has reviewed 4 of its 6 executive NDPBs and all 5 advisory bodies. Of the executive bodies reviewed in 1986/87, the Developing Countries Trade Agency was the subject of a management review and staff inspection in May 1986, and was established as a company limited by guarantee later that year. It is too early to quantify current or future savings but the Agency will be reviewed again in 1989. No change was recommended in the Commonwealth Scholarship Commission and Commonwealth Development Corporation. Annex B lists value for money savings identified in the Commonwealth Development Corporation.

A.15.2 There has been no specific review of the Crown Agents, following a fundamental examination and re-organisation in 1983/84 with a view to eventual privatisation. A review of the business arrangements between ODA and the Crown Agents has been undertaken recently. The Crown Agents Holding and Realisation Board is to be wound up once a suitable home can be found for some contingent liabilities. This would produce savings of £0.14m. Continuing reviews have identified savings of £2-3m on procurement, £94,000 a year on pensions and £250,000 through rationalising the activities of a loss-making subsidiary.

A.16 HM Treasury (Annual funding of NDPBs: £8m; Staff employed in NDPBs: 215)

A.16.1 The Chancellor of the Exchequer told the National Economic Development Council (NEDC) on 1 July 1987 of the conclusions the Government had reached on the frequency of the Council's meetings and the number of publicly funded Economic Development Committees (EDCs). Following a period of consultation with the other NEDC parties, the Chancellor announced the

Government's conclusions on EDCs, which amount to roughly a halving of sectoral tripartite committees. NEDO has itself taken steps to reduce its staff to 125 through natural wastage and voluntary redundancies by 1 April 1988 and has agreed with the Treasury a grant-in-aid of £5m for 1988/89.

A.16.2 As these changes have worked through the Treasury has, in practice, been carrying out both a policy review of the NEDC/NEDO and the appropriate elements of a financial management review, though they will continue to seek improvements in NEDO's internal financial management and accounting procedures.

A.16.3 The review of the Treasury's other executive body has been held over.

A.16.4 Outstanding reviews of 6 advisory bodies, including the 5 pay review bodies, are scheduled for completion by April 1988.

A.17 Ministry of Defence (Annual funding of NDPBs: £4m; Staff employed in NDPBs: 1,500)

A.17.1 MOD has completed reviews of all of its NDPBs. 5 out of the 7 executive NDPBs are service museums which ceased to be funded directly from MOD votes in 1984. They now receive annual grant-in-aid to cover their running costs and a small portion of the purchase cost of exhibits. The museums have been encouraged to develop a keener commercial awareness and to devote more effort to generating funds from private sources. As a result of a full scale management review, as well as other

organisational and financial improvements, potential savings of 3 staff have been identified for 1988/89 in the RAF museum, subject to a decision on the question of admission charges.

A.18 Department of Transport (Annual funding of NDPBs: £0.3m; Staff employed in NDPBs: 2,800)

A.18.1 The Department of Transport has completed reviews of 5 of its 6 executive bodies. The review of the Red Sea Lights Company Ltd, whose expenditure is met by contributions from 15 contracting governments, has been held over. Following the 1984 review of the 3 General Lighthouse Authorities, a further consultancy study has been undertaken into the Authorities' tender fleet requirements and is expected to recommend substantial savings in ship procurement. The Pilotage Commission is to be wound up following full implementation around 1989 of the Pilotage Commission Act 1987; this will produce savings of £324,000 p.a. and 5 staff.

A.18.2 Of the 2 advisory bodies reviewed, the review of the Standing Advisory Committee on Trunk Road Assessment has recommended a reduction in the size of the committee and that of the Advisory Committee on the Landscape Treatment of Trunk Roads revised terms of reference and a new structure.

A.19 Inland Revenue (0 executive bodies)

A.19.1 Reviews of the 2 Tribunals for which Inland Revenue is responsible have been held over.

A.20 Lord Chancellors Department (0 executive bodies)

A.20.1 The Lord Chancellors Department has reviewed all of its 205 advisory bodies. No changes were recommended in these bodies. However other initiatives identified savings of £30,000

p.a. in the Law Commission, which is the largest single body with funding of £1.7m; the savings arise from the appointment of a specialist legal editor and contract proof readers and from the use of word processors compatible with the Parliamentary press. However, the savings achieved in practice in 1986/87 amounted to £114,000 and are expected to rise to £246,000 p.a. by 1988-89. Savings equivalent to 15% of an HEO were separately identified as arising from the amalgamation of the Legal Services Conference and Legal Aid Advisory Committee.

A.20.2 A review of the VAT Tribunals is currently being undertaken.

A.21 Cabinet Office (including Management and Personnel Office) (0 executive bodies)

A.21.1 In addition to the 4 bodies reviewed in 1985/86 a review has also been carried out of the Civil Service Appeal Board. No change was recommended. The remaining 4 advisory bodies are scheduled for review in 1987/88.(On 1 October 1987 the Management and Personnel Office was reconstituted as the Office of the Minister for the Civil Service, following the transfer of certain functions to the Treasury).

A.22 Scottish Courts Administration (0 executive bodies)

A.22.1 The Scottish Courts Administration has completed reviews of its 1 advisory body and 2 tribunals. Savings amounting to 1 staff member and £17,000 p.a. have been produced in the Lands Tribunal for Scotland/Scottish Land Court with long term potential savings in the costs of the Court of 5 members of staff and £120,000 p.a. (about one-third of the costs of the Court).

A.23 Central Office of Information (0 executive bodies)

A.23.1 The one advisory body sponsored by COI was reviewed in November 1987.

ANNEX B

VALUE FOR MONEY IMPROVEMENTS

Departments recorded value for money improvements under three headings: improvements in output and performance, targets set, for example for reducing costs or increasing earnings and improvements. The main value for money improvements are listed in Tables 5, 6 and 7. They do not include improvements reported in the comparable Annex to the July 1986 Progress Report, except where further information has subsequently been made available. Departments are listed in order of total central funding devoted to NDPBs in 1985/1986 (shown in brackets under each department).

Table 5: Improvements in output or performance

Department	NDPB	Improvements in output/performance
D.Emp (£1,860m)	Hotel and Catering Industry Training Board	Training courses offered rose from 8,000(1984/5) to 11,000(1985/86).
		Commercial income as a proportion of total income increased from about 1/4 in 1982/83 to about 2/3 in 1985/86.
		Non-exemptible levy on employers wages bills reduced from 0.05% in 1985/86 to 0.045% in 1986/87 and to 0.035% in 1987/88.
DOE (£1,280m)	British Board of Agrement	Increased productivity through tighter internal costs control.
		Improved market penetration by more market research and better longer term strategy.
	Development Commission/Council for Small Industries in Rural Areas	General improvement of performance, especially factory programme; £3.9m from factory sales and receipts, £1.9m above target. Rate of return for 1985/86 of 5.82% compared to target of 5.2%.
DES(£670m)	Council for National Academic Awards	Student registration fees reduced further in 1986/87.
		New computer system and increased delegation to institutions enabled some staff to take on extra work.
Scottish Office(£410m)	Colleges of Education	Staff/student ratio tightened.
	Ancient Monuments Board	Number of meetings kept to 3 per year despite increase in number of cases.

DHSS(£160m)	Medical Practices Committee	7% increased workload contained within existing resources.
	Public Health Laboratory Services	In diagnostic work for NHS, specimens, per member of staff increased by 20% during the period 1980/81 - 1985/86.
MOD (£4m)	Services Sound and Vision Corporation	Engineering department improved manpower utilization by 18-20% enabling introduction of new services without any increase in staff.

Table 6: Targets set

Department	NDPB	Targets
D.Emp (£1,860m)	Hotel and Catering Industry Training Board	Treble YTS intake in hotel and catering within 3 years.
		Raise training standards so that 93% gain exemption from levy (60% in 1985/86)
		Phase out non-exemptible levy on employers wages bills by 1989/90 by increasing commercial income.
DOE (£1,280m)	British Board of Agrement	Cover costs of commercially based activities from 1988/89 onwards.
	Countryside Commission	Remaining areas of heritage costs to be designated by 1989/90.
		A further 8 countryside advisors to be appointed in 1987/88; and full national coverage to be completed by 1990.
		Review of publications policy by November 1987.
		Proposals for cutting costs of telephones, office machinery by November 1987
		Working party to report on performance measures to be included in next corporate plan by November 1987.
	Development Commission/Council for Small Industries in Rural Areas	Targets in place for factory programme rate of return and COSIRA fees and charges.
	Housing Corporation	Target deadlines for increase in receipts.
		Target of 2 weeks for processing grant recovery forms.
	London Dockland Development Corporation/Merseyside Development Corporation	Timetable set for implementation of review recommendations.

	Nature Conservancy Council	Targets for income generation to be considered; revised performance indicators for research programme to be developed. Some NCC sites to be disposed of to voluntary bodies; status of remaining sites to be reviewed every 5 years.
DES(£670m)	Council for National Academic Awards	Targets to be agreed for elimination of all but essential cash reserves and reductions in staffing and running costs by July 1987.
	Central Bureau for Educational Visits and Exchanges (CBEVE)	Full cost breakdown to be introduced for each of Bureau's 3 offices. Reviews of individual committees by August 1987. Introduction of more accurate costing mechanisms. Develop effective dissemination of policy by June 1987.
	School Curriculum Development Committee/Secondary Examinations Council	Set up SEC R&D Committee by Summer 1987 Financial memoranda to be reviewed by Summer 1987 Improve mechanisms for funding and financial control by Summer 1987.
Scottish Office (£410m)	Electricity Consultative Councils	Targets proposed for telephone postage and travel costs.
	Highlands and Islands Development Board	Consider scope for levying charges in certain marketing and advisory services.
	Colleges of Education	Staff/student ratio of 1:10 by 1988/89
	Scottish Council for Post Graduate Medical Education	Reduction in size

	Scottish Community Education Council	Establish arrangements for improved performance monitoring.
NIO(£290m)	Probation Board for NI	70% successful completion of Probation Orders.
DHSS(£160m)	General Practice Finance Corporation	Reduced public sector borrowing
	National Radiological Protection Board	Annual accountability review to be undertaken in November 1987
	English National Board for Nursing, Midwifery and Health visiting	Take forward work already done on performance review of Education Advisory Groups, and achieve cost improvements in respect of basic nurse training funds.
		Continue work on performance indicators for approving institutions and for monitoring their output and use of resources.
Welsh Office (£80m)	Welsh Development Agency	1: 4 leverage ratio for WDA investment in relation to other sources of funding.
		Target for annual reduction in unit costs of factory buildings.
	Wales Advisory Panel on the Development of Services for Mentally Handicapped people	Smaller panel of 6 compared with 16 members.
MAFF(£30m)	Wine Standards Board	Improve cash flow planning and forecasting to achieve optimum monthly bank balance by April 1987.
		System of annual staff assessments to be introduced in 1987.
	Food from Britain*	¼% to ½% reduction in running costs.
		Review relevance and cost effectiveness of research and management studies by April 1988.

* Subject to finalisation of report

		Consider alternative financial strategies for co-operatives by early 1988.
	Royal Botanic Gardens, Kew	Reduce size of directly employed labour force by April 1988 in return for flexible working/bonus scheme -possibly saving £22,000.
		Corporate plan to be completed by Autumn 1987.
		Introduction of stock control system by March 1989.
	Agricultural Training Board*	¼% to ½%reduction in running costs - saving £19,000 to £38,000.
		Recoup greater proportion of costs from industry. Increase penetration of industry to 30% without increase in grant.
ODA (£14m)	Commonwealth Development Corporation	Ratio of gross and net operating costs to total investments and commitments not to exceed 1985 level.
LCD(£5m)	Judicial Studies Board	Target of approximately 50 days of studies in 1987.
SCA(£1m)	Lands Tribunal for Scotland/Scottish Land Court	Workload and performance indicators for Court and Tribunal to be proposed by October 1987.
		Tribunal membership to be reviewed by Summer 1987.

*Subject to finalisation of report

Table 7. Improvements in planning, systems and procedures.

Department	NDPB	Other VFM Improvements
D.Emp (£1,860m)	Hotel and Catering Industry Training Board	Improved planning through introduction of 3 year strategic plans.
	British Tourist Authority/English Tourist Board	Recommendations leading to more measurable objectives; more systematic review of past performance and studies on effectiveness of marketing.
DOE (£1,276m)	British Board of Agrement	Improved internal financial management, leading to better planning and forecasting; introduction of cost centres; restructuring of accounts; new arrangements for payment of grant; and a more commercial emphasis as regards future Board and staff appointments.
	Countryside Commission	Better corporate planning and improved performance measurement; improved forecasting and profiling of expenditure.
		Programme of value for money studies (3 per year) introduced in 1985. New work programme structure introduced in 1987/88.
	Development Commission/Council for Small Industries in Rural Areas	Amalgamation of DC and COSIRA. Leading to better structure and tighter management control.
		Improved corporate planning and performance indicators: eg, more details on factory programme cost per job information and leverage ratios.
	Housing Corporation	More information on performance: development times and unit cost of different types of housing provided. New investment code with effect from 1987/88 to identify housing needs to be met by association investment. Survey of lettings to improve targetting of investment.

	Local Government Boundary Commission	Research to establish effects of boundary changes to help future decision-making. Proposals for better financial management planning, target setting and performance monitoring.
	London Dockland Development Corporation/Merseyside Development Corporation	Proposals leading to more effective corporate planning and tighter financial control and better investment appraisal.
	Nature Conservancy Council	Greater financial control through improved accounting practices and more financial appraisal of projects. Improved corporate planning and performance measures eg staff per hectare of reserve and species indicators.
	Historic Buildings and Monuments	Internal planning arrangements improved. Quantified output and performance measures to be developed. Improved internal control and financial management by, eg the introduction of cost centres and revision of financial memorandum.
DES (£673m)	Secondary Examinations Council/Schools Curriculum Development Committee	Substantial unspecified saving from contracting out of distribution of teacher training material for introduction of GCSE.
		Savings in region of £42,000 expected from SEC proposals to broadcast video teacher training materials.
		SCDC commercial tendering for major distribtuion activities.
		Savings of approx. £40,000 expected from pooling of SEC/SCDC common services.
Scottish Office (£406m)	Scottish Development Agency	New planning cycle integrating planning and budgeting and linking output targets to expenditure.
		New policy evaluation to be set up.
	Colleges of Education	Proposed changes in legislative and grant framework to reduce subsidies.

		Improved cost analysis to inform decision taking, including pricing of repayment services.
	Highlands and Islands Development Board	Development of objectives and output and performance indicators.
		New guidelines for factory building and social development grant.
		Improved appraisal procedures in financial assistance cases.
	Countryside Commission for Scotland	Improvements recommended by FMS in corporate planning, objective setting, budgeting, performance monitoring, financial controls, personnel management and management organisation.
	Historic Buildings Council for Scotland	Simplified system for consideration of small grants.
		SEC/SCDC catering privatised, leading to significant savings with no decline in quality of service.
NIO (£290m)	Probation Board for NI	Reorganisation of Board's senior management structure and establishment of Senior Management Group.
		Resource allocation and budgeting arrangements improved. In year monitoring of expenditure.
		Improved measures of output and performance.
	Police Complaints Board for NI	New complaints and discipline procedures including the establishment of the Independent Police Complaints Commission (to replace Board).
		Clarification of the Board's powers and duties in respect of staff recruitment, delegated financial authorities and the public expenditure planning cycle.

	Police Authority for NI	Annual strategic plan to include goals, objectives and priorities for year ahead. Improved management accounting system. Review systems for monitoring and controlling the use of police manpower.
DEn (£190m)	United Kingdom Atomic Energy Authority	Better internal financial management following change to trading fund status.
DHSS (£160m)	Central Council for Education and Training in Social Work (UK)	Improved financial control arrangements introduced following staff inspection.
	National Radiological Protection Board	Recently installed integrated accounting system provides earlier and more detailed financial information. Financial control procedures have been improved, and consultants' advice sought on budgetary techniques.
	Public Health Laboratory Services Board	Annual accountability reviews and internal cash limits introduced. Corporate Strategy produced. Various managerial initiatives including introduction of trading accounts, computerised management information sytem, equipment committee to scrutinise priorities and best buys and performance indicators.
	General Practice Finance Corporation	Additional funds to be sought from private sector.
FCO (£90m)	British Council	Improvements in Council's internal management and planning, including: corporate planning, review of purchasing policy and procedures, and improvements in internal audit.

	Commonwealth Institute	Planning arrangements and management structure improved. Plans to examine potential for development of London site for tourism and commerce. Improvements in revenue raising from sponsors and others.
	Marshall Aid Commemoration Commission	Plans to set up students organisation as part of effort to raise profile of scholarships and value of HMG's investment.
	Irish Pensions Appeals Tribunal	Possibility of lower costs from transferring administrative and other functions to the DHSS Office in Dublin.
Welsh Office (£80m)	Welsh Development Agency	Introduction of an annual Business Plan and 5 year corporate plan, with performance indicators, for example: number of projects secured and value of associated investment and jobs; start ups as a percentage of all investments.
DTI (£60m)	Monopolies and Mergers Commission	Better financial planning and monitoring: new system of quarterly financial returns to allow appraisal of Commission's performance. Industrial advisers reduced from 10 to 5; staff inspecton in 1987 to recommend new manpower ceiling.
	British Technology Group	Introduction of corporate planning; improved monthly management accounts; and new performance appraisals and bonus pay.
	Post Office Users National Council. POUCS for Wales, Scotland and N. Ireland	Evaluation of performance in complaint handling to be developed. Regular internal audit and staff inspection to be established.
	Electricity Consumers Council. Area Electricity Consultive Councils	Study of regional divergencies in unit costs recommended. Introduction of new system of allocation of funds among Councils.

MAFF (£30m)	Wine Standards Board	Proposals for a mini forward plan showing objectives, targets and measures of effectiveness. Output measurement of individual inspections and of organization as a whole to be introduced.
	Agricultural* Training Board	Better purchasing procedures; costing system to be re-examined; and more emphasis on monitoring performance.
Home Office (£20m)	Police Advisory Board	New constitution introduced in November 1984 reduced outside membership from 28-15 and established a new standing committee on conditions of service. Main Board is now able to concentrate on major policy issues while the Standing Committee clears backlog of less important items.
	Broadcasting Complaints Commission	Streamlined procedures - leading to one of the rounds of written evidence being dropped on a trial basis. The review has made recommendations designed to lead to tighter budget estimates, which have in the past frequently exceeded actual expenditure.
	Community Projects Foundation	Shift in emphasis proposed from fieldwork towards consultancies, training and dissemination of good practice. Expected reduction of approximately £100,000 in planned level of Home Office grant in 1988/89.
	Commission for Racial Equality	Annual planning document introduced and chief executive appointed (cost met by abolishing two other posts). Increased support through training and funds for work of law and advice centres, with a view to reducing Commission's direct involvement in complaints work.

* Subject to finalisation of report.

ODA (£14m)	Crown Agents	Cessation of business of a loss making subsidiary saving £250,000. Scheduled transfer of pensions administration work from Crown Agents to ODA likely to save £94,000 a year from August 1989. More goods procured for the same money through savings incentive scheme.
	Commonwealth Development Corporation	Better project evaluation. More accountability as a result of a revised planning framework memorandum.
LCD (£5m)	Law Commission	Improved internal control of priorities, staff time and other costs.
MOD (£4m)	RAF Museum	Organization, procedures and financial improvements, including a reduction of 3 staff in warding posts.
SCA (£1m)	Lands Tribunal for Scotland/Scottish Land Court	Long term strategy for fee increases, leading to reduced workload for court, saving 5 posts and £120,000 a year.
	Pension Appeal Tribunal for Scotland	New performance indicator: maximum time taken for cases to be heard. Provision of quarterly 'delay' statistics.

ANNEX C

PRIME MINISTER'S ANNOUNCEMENT OF REVIEW PROGRAMME

C.1 A programme of work to improve performance and value for money in non-departmental public bodies was announced on 19 November 1984 by the Prime Minister. In reply to a Commons written Parliamentary Question, the Prime Minister also confirmed that the Government's policy of regular scrutiny of the need for each NDPB, and of any proposals for new bodies, would continue.

C.2 The full text of the question and reply were as follows:

Sir Philip Holland asked the Prime Minister: "whether it remains her policy to keep the numbers and spending of non-departmental public bodies under tight control; and whether she will ensure that the drive for increased efficiency and effectiveness in the Civil Service is followed through by similar action in public bodies."

The Prime Minister replied: "Yes. We shall continue to keep all non-departmental public bodies under regular scrutiny to ensure that they and their programmes give value for money. We shall resist pressures for new bodies unless we are convinced that a non-departmental public body is the most appropriate way to do a particular task. Substantial savings have already been made. Since 1979 we have wound up or substantially reduced the expenditure of nearly 700 such bodies saving some £118 million a year. But there is more to be done. A recent report of the Cabinet Office/Treasury Financial Management Unit, copies of which are being placed in the library, shows that some bodies need better systems for defining their objectives, setting targets and assessing achievements. Over the next two years therefore departments will be looking, in

collaboration with the management of their sponsored bodies, at the scope for improving management and control systems and practices, with the aim of producing progressive improvements in performance. The main programme of work should be completed by April 1987."

PART 25 ends:-

TG ~~NLW~~ to CPO 13.1.88

PART 26 begins:-

(Meeting record)

NLW to HMT 15.1.88

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