PREM 19/2706

PART 29 MT

Confidential Filing

The Rayner Programme
Promotion of Efficiency and Waste
The Scrutiny Programme
[In attached folder DSS AGENCY REPORT. HMSO EXECUTIVE AGENCY FRAMEWORK DOCUMENT - DECEMBER 1988 + WSL + NHHL pamphlet
'The Bridge Programme' folder 'INTERNUPE

GOVERNMENT MACHINERY

Part 1: May 1979
Part 29: December 1988

All attachments destroyed

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~17.12.88~~							
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PREM 19/2706

PART 29 ends:-

MOD to AT 17.4.89

PART 30 begins:-

DSS to PM 17.4.89

D cc PJ

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

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

Horse Guards Road
London SW1P 3AL
Telephone: 01 -270 5929

C89/2081

Rt Hon John Moore MP
Secretary of State for Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NS

20 April 1989

Dear Secretary of State

NEXT STEPS IN DEPARTMENT OF SOCIAL SECURITY

I warmly welcome the proposals in your ~~minute~~ file note of 17 April to the Prime Minister, and your plans to pursue the possibility of setting up three Next Steps Agencies for the great bulk of your Department's activities. I found the report which has led to this conclusion a most impressive document.

Setting up Agencies of the size and significance that you envisage will be an important further advance for the Government's Next Steps policies but, more than this, it is also the right route to improving services. The job of running operations like these will be among the most challenging that the public sector has to offer, and I share your view that, either initially or in the longer term, the posts should be filled by open competition.

I am glad that my officials have been able to help yours in preparing these proposals. Peter Kemp and his team will continue to lend their support as you take the work forward. I very much hope we can be associated with the announcement you are planning to make in early May.

I am sending a copy of this letter to the Prime Minister, Chancellor of the Exchequer, Norman Fowler, Tom King, John Major, Sir Robin Butler and Sir Angus Fraser (Efficiency Unit).

Yours sincerely

Andrew Brewster

RICHARD LUCE
(Approved by the Minister
and signed in his absence.)

Gov't mach: Rayna
Pt 30

chex.jp/ds1/28 **CONFIDENTIAL**

C ~~CPU~~

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

PRIME MINISTER

NEXT STEPS IN DSS

I strongly support the thrust of John Moore's proposals for Next Steps Agencies in his Department and am well content with the draft statement he sent with his minute to you of 17 April.

File with PR

I hope he will not be embarrassed if I say that in general his approach to this issue offers something of a model for the implementation of Next Steps. His proposals are sensibly timetabled in agreement with the Treasury and the OMCS; this preliminary stage of the work has been carefully and fully prepared; and he intends to link the progressive development of his Agencies (eg in matters of finance and pay) to their individual objectives and circumstances in a practical and considered way. I gather that his officials' consultations with mine have been exemplary.

I have no doubt that much improved accountability and value for money should result in this large and important area of the Civil Service. John Major and I will take a close and constructive interest in the successful implementation of his plans, in consultation with Richard Luce.

Copies of this minute go to the recipients of John Moore's minute to you.

NL.

[NL]
20 April 1989

Go. T MACH.: Rayner
A.30

cc Sir Angus Fraser EU
Sir Robin Butler CO

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 8/14E

17 April 1989

Dear Andrew,

VALUE FOR MONEY SEMINARS: MOD 14TH JUNE 1989

Thank you for your letter of ~~23rd~~ 31st March. I can confirm that the arrangements you outline are acceptable to the Defence Secretary.

In case there is any misunderstanding, however, I should make clear that it has never been our intention to omit from the discussion our continuing search for value money across the equipment programme. Sir Peter Levene will accompany my Secretary of State, along with the Permanent Secretary and the Vice-Chief of the Defence Staff (in the absence overseas of the Chief of Defence Staff) and defence procurement issues, as well as current progress with VFM, will be part of the presentation from our side.

In advance of the meeting, we shall be letting you have the second of our six-monthly reports on progress in efficiency called for after the VFM Seminar last year. However, as you accept in your letter, we would see the central feature of the seminar as being the impact of the New Management Strategy for defence, which will provide the main basis for the coherent departmental strategy for better management called for by the Prime Minister (your minute of 14th February to Sir Angus Fraser), as well as being, in its own right, one of the most fundamental and far-reaching changes ever made in the way defence is managed.

Yours sincerely

Brian Hawtin

(B R HAWTIN)
Private Secretary

Andrew Turnbull Esq
No 10 Downing Street

GOT MACH: Parker PTR9

17.11.

PERSONAL AND CONFIDENTIAL

file JD 57

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 April, 1989.

NEXT STEPS IN DEPARTMENT OF SOCIAL SECURITY

The Prime Minister was most grateful for your Secretary of State's personal minute of 13 April, enclosing a further minute he proposes to circulate to colleagues. She welcomes this initiative, and is entirely content for him to circulate his minute to colleagues.

I am sending a copy of this letter to Trevor Woolley (Cabinet Office).

Paul Gray

Stuart Lord, Esq.,
Department of Social Security.

PERSONAL AND CONFIDENTIAL

Ref. A089/963

MR GRAY

with AT?

Department of Social Security: Executive Agencies

In his minute of 13 April the Secretary of State for Social Security makes proposals for transferring the bulk of his Department's work to Executive Agencies. These proposals would represent a major step forward for the Next Steps programme and a milestone in the management of the Civil Service. Mr Major and Mr Luce have been kept closely in touch with these developments and both strongly support Mr Moore's approach, although they recognise that much detailed work remains to be done before any Social Security Agencies can be established.

2. Mr Moore proposes to transfer the operational work of his department into three main Agencies:

a. an Information Technology Services Agency, to be established by April 1990. These services are already organised as a single unit. The aim would be, over time, to open them up to competitive tendering, so that outside contractors could be used instead where they offered the prospect of better service or improved value for money.

b. a National Insurance Contributions Agency, also to be established by April 1990. The plan would be to separate the 7000 staff currently working on the collection and recording of national insurance contributions into a single unit. At present there is some concern that this work receives insufficient priority within the department. The proposed separation from benefits work is intended to remedy this.

c. a Benefits Agency, to be established by April 1991. This would be the largest Agency yet proposed, with some 70,000 staff. Mr Moore has concluded that separation into a number of smaller agencies, based for example around different benefits, would be a less attractive structure.

Separate proposals for establishing a small Resettlement Units Agency are already underway. The effect of creating all these Agencies would be to reduce Mr Moore's headquarters department to under 2000 staff, responsible for social security policy and legislation, and for setting and monitoring the frameworks for the Agencies.

3. I believe that Mr Moore and his department should be congratulated on the thorough job which they have done in preparing these proposals. The main thrust is to improve the quality of service offered to the public, in accordance with the objectives of the original Next Steps report. There are a number of particular points which the Prime Minister may wish to note.

a. Departmental workload. Pursuit of the Agency proposals will add to the demanding workload of Mr Moore's department in the next couple of years. His highest priority is completion of the computerisation of casework through the Operational Strategy over the next 18 months. The aftermath of last year's Social Security reforms, and the relocation of substantial operational work away from London, also represent major challenges.

b. Effect on the Civil Service. Mr Moore proposes that these agencies should remain in the public sector, with their staff continuing to be civil servants. This is because of the confidential personal information which is required to administer benefits and because of the quasi-judicial role of civil servants acting as adjudication officers in determining the level of benefits. I am sure this approach is right. It avoids the difficulties which

Mr Fowler has encountered in considering whether Employment Service staff should be transferred to the private sector. Industrial relations in Mr Moore's department may well be difficult in the next few years, however, not because of the Agency proposals themselves but because implementation of the Operational Strategy should save up to one third of posts in local offices.

c. Accountability. Mr Moore has devised a clear and coherent approach to acountability which is very similar to the one which the Prime Minister argued for on the central management of the NHS. He and his Accounting Officer will be answerable for setting the framework of policy, objectives and resources for the agencies; but the chief executives of the agencies will answer for their running costs, for the payment of benefits and collection of contributions in accordance with Government policy and for the handling of individual cases. Mr Moore indicates that he will resist pressure for central handling or second-guessing on matters which are delegated to the agencies.

d. Impact on administration of other benefits. Mr Moore has policy responsibility for three major benefits which are not administered by his department: unemployment benefit, housing benefit and statutory sick pay. His minute makes clear that he is not proposing any changes in Departmental responsibilities as a result of this exercise. However, his proposals would not close the option of such changes in the longer term, if the Prime Minister felt them to be desirable. (At present Mr Fowler is publicly committed to establishing the Employment Service as an Agency by the Summer Recess, although in practice it now appears that April 1990 may be a more realistic date for such a change.

An early announcement by Mr Moore could increase the pressure on Mr Fowler to make clear his intentions towards the Employment Service.)

e. Further work. Mr Moore has not identified any need for legislation before his proposals for Agencies can be implemented. Detailed discussions will, however, be needed with the other Departments, and in particular with the Treasury and the Next Steps team on the Agencies' flexibility over setting staff pay and conditions and over delegated financial freedoms. There may also be points for discussion with the Department of Employment. Once the decision is announced in principle, the way will be clear for this follow-up work to be done.

4. I recommend the Prime Minister to respond to Mr Moore's personal minute by warmly encouraging him to proceed. Mr Moore would then minute the Prime Minister formally, copied to colleagues, proposing an announcement in the week beginning 24 April. A reply from the Prime Minister welcoming his proposal and commending it to other colleagues as a model for future Agency proposals would then produce a helpful further boost to the Next Steps initiative.

pp Woolley

pp ROBIN BUTLER

14 April 1989

1

PRIME MINISTER

DEPARTMENT OF SOCIAL SECURITY: EXECUTIVE AGENCIES

John Moore has sent you a personal minute (Flag A) seeking your agreement that he should minute you formally, copied to other colleagues, setting out his proposals for carrying forward the Next Steps approach in his Department.

His minute follows a lot of detailed work. Immediately below the personal minute is the formal minute he proposes to send next week, together with a draft Parliamentary Statement he would like to make in the week beginning 24 April. Flag B is a copy of the detailed agency Study Report, but there is no need for you to refer to that.

Robin Butler's minute at Flag C suggests that you warmly welcome John Moore's initiative, and authorise him to circulate his formal minute. You might then encourage other Departments to bring forward proposals on similar lines in order to give the Next Steps initiative a further boost.

You will see that one of the three new agencies John Moore proposes covers Information Technology. There is a link here to the idea the Chancellor mentioned to you earlier in the week about privatising computer operations in the Inland Revenue, and then possibly extending similar arrangements to other Departments. I have checked with the Treasury, who have been consulted on John Moore's proposals, that they have taken on board the read across between these two exercises. They confirm that they have; they are content with John Moore's approach, on the grounds that this does not preclude the rather more radical approach the Chancellor has in mind.

Content to welcome John Moore's initiative and authorise him to circulate his formal minute?

PAUL GRAY

14 April 1989

cc T Woolley

A

PERSONAL AND CONFIDENTIAL

PRIME MINISTER

NEXT STEPS IN DSS

As you know I have been giving a lot of thought to how we can best apply the Next Steps approach to the major executive activities carried out by my Department. I am now ready to minute you formally with my proposals. They are radical and far-reaching and will involve progressively re-constructing almost my entire Department into Agencies. I see this as the key to creating the business-like, focussed, flexible and innovative management which these major services quite clearly need.

2. In view of the scale of the proposals, and their importance for the future not only of DSS but for the Civil Service generally, I thought I should let you know how my thinking is developing before I minute you formally. I therefore attach the draft of the more formal and full minute I plan to send you, together with a statement I propose to issue, a more detailed Annex with my proposals and the report by my officials which I propose to publish as helpful background.

IN ATTACHED FOLDER

3. This will be a major statement of our commitment to better management of Government services, in the interests both of more efficiency and better service to the public. To give substance and point to the re-organisation framework of the Agencies proposals, I plan to state publicly for the first time what standard of public service we are aiming to give, backed up by targets and objectives and the specific service targets I am setting for 1989/90. This stems from a major Efficiency Scrutiny last year, which also included the relocation of backroom work from local offices in London which I have already announced.

4. In preparing these proposals I have had great help from John Major and Richard Luce and their officials. You will see that I am proposing to copy the papers also to Norman Fowler, whose officials have been kept in touch by mine, because of his Department's interest as the agent for paying unemployment benefit. I shall be consulting him fully on any implications in the further detailed work; but neither of us are proposing any changes in Departmental responsibilities as a result of this exercise. No issue has arisen yet on which we have need to consult the Attorney, and I have deliberately planned to handle the changes with staff in a way that should ensure that no such need should arise.

5. If you are content, I propose to minute you formally, with the attached drafts, early next week and, if you and colleagues agree, make my statement in the week of 24 April.

JM. April 13. '89.

JOHN MOORE

CONFIDENTIAL

PRIME MINISTER

NEXT STEPS IN DSS

1. When you launched the Next Steps initiative last year, you included the DSS Resettlement Units as one of the initial twelve Agency candidates. Preparations are now well advanced and I hope to launch the Resettlement Agency formally next month as the first Agency in my Department.

2. We recognised from the outset that the Resettlement Agency would account for only a tiny part of social security operations, which together employ over 80,000 staff (one-sixth of the non-industrial Civil Service). I therefore announced last year a study of these operations as a whole, with a view to identifying further candidates for Agency status. I attach a copy of the Report by my officials, which I commend as an excellent analysis.

3. You will see from the summary of conclusions and recommendations (Chapter 10) that they conclude that virtually the whole of the social security operational field, including the Department's Information Technology (IT) services, is suitable for Agency status. On the basis of further work by my officials in consultation with those in the Treasury and OMCS, who have been most helpful in the preparation of my proposals, I am now minuting you with my proposals for carrying forward the Next Steps initiative in DSS.

4. I am clear that a major shift to Agency status for the bulk of my Department's operations would give a powerful additional thrust to my existing programme to sharpen up performance, improve the service to the public and provide better value for money from the very large resources employed. An Agency framework will clarify roles, responsibilities and objectives,

increase personal responsibility and accountability for the quality of service given to the public, and open the way for a more dynamic and flexible approach to improving performance.

5. In brief, I propose to pursue vigorously the possibilities for three more Agencies:-

(i) an Information Technology Services Agency (ITSA) to provide IT services for the Department and the other Agencies, on the basis of a rolling programme of regular tenders for individual IT services, including tenders by outside organisations. Target date: April 1990.

(ii) A single unit for contributions operations, as a candidate for an Agency. Target date: April 1990.

(iii) An Agency for benefit operations. Target date: April 1991.

My proposals

6. I first considered the other options discussed in Chapter 3 of the Report, particularly the possibility of contracting out the work to the private sector. I do not see this as a realistic approach to the "core" business activities of determining individual claims to benefit and collecting national insurance contributions, at the heart of which lie statutory obligations on citizens to provide highly personal and confidential information about themselves, and the need to maintain an unparalleled data base, containing much sensitive personal information, on almost every citizen; the quasi-judicial nature of decision-taking on individual claims to benefits; the revenue-raising nature of national insurance work (which is more analagous to the work of Inland Revenue and Customs than to any other activity); and the very considerable statutory powers of investigation and prosecution which my staff have and need.

7. By contrast, I do see some scope for contracting out parts of my IT services. Private sector consultants and firms already play a major role, especially in developing and implementing my Operational Strategy for the computerisation of work in local offices. I am minuting you separately with some specific proposals for contracting out further parts of my IT services in the near future to secure better value for money and resilience.

8. Looking further ahead, I should like to test the market to establish where the private sector can offer better value for money in the rest of these services, by launching my IT services, which I brought into a single unit from 1 January, as an Agency by April 1990. It will be required to compete with the private sector on a regular basis for individual service contracts for each of its several computer operations. Completing the Operational Strategy projects over the next 18 months must be the top priority, and nothing must be done to jeopardise that programme, which will transform the delivery of social security benefits to the public and save up to one-third of the staff in local offices.

9. I also intend to pursue possibilities for Agencies for contributions operations and for benefits operations. The further work done by officials has fully confirmed the advantages identified in the Report's recommendations. Agencies offer opportunities for major advances in handling our social security businesses better, with much clearer definitions of roles and responsibilities, with Ministers and Headquarters responsible for setting policy, targets and resources, and with specified managers responsible for running the services and handling individual cases in ways that are more responsive to what people want and expect of a good service. We have been making great strides in improving our service to the public, as a visit to many of our local offices shows, through computerisation, relocation of work, improvements to public reception points and public service areas, and a new focus on service quality throughout the organisation. But it is clear that Agencies will give this a new and powerful further impetus.

10. This has already been amply demonstrated in the work during the last few months on the possibility of an Agency for contributions operations, which has sharpened our view of objectives, of the best dividing line between HQ policy and field operations and of the need for better targets and monitoring of performance and for the better organisation of collecting and recording contributions and the job of our inspectors. It calls for a major reorganisation of the 7,000 staff engaged on this work, but I propose, again against a target date of April 1990, to pursue this possibility vigorously, together with administrative measures to collect more in contributions at a significantly lower cost in staff. The precise extent of this additional value for money will depend on further work, but it is certainly there for the taking, and it does not have to wait on the completion of the Operational Strategy, as do so many of the benefit operations, so we can get on with it.

11. I also wish to pursue the possibility of a benefits Agency, but I accept that this will be the largest and most difficult task, given the size and complexity of the benefit structure, the number of staff engaged on the work (some 70,000 at present, but reducing substantially), and the need to complete the Operational Strategy successfully. I am setting a target date of April 1991 for that.

Handling

12. I attach an Annex which sets out in more detail my proposals for agencies and the programme for implementation. The handling of this will require great care and sensitivity, especially with Parliament, given the way in which social security operations impinge on nearly everyone's affairs and the political interest which they attract. We shall be entering entirely new and much larger territory compared with the Agencies established so far. We shall need to establish confidence in the new arrangements whereby Ministers' responsibility will in future be for setting the framework of policies, legislation, targets and resources, and the Agencies will have delegated

responsibility for the delivery of services within that framework. I, and my Permanent Secretary as Accounting Officer, will be answerable for setting the framework of objectives and resources for the Agencies and for communicating to them the rules and regulations, determined by policy decisions, according to which the programme expenditure of £50 billion a year is to be spent; but I envisage that the Chief Executives will be Agency Accounting Officers answerable for their significant administrative expenditure (some £1½ billion a year in total), for the payments of benefits and collection of contributions in accordance with the rules and regulations, and for the performance of their staff in handling individual cases, which account for most of the existing Departmental correspondence and almost all the cases investigated by the Parliamentary Commissioner. Unless we can establish and hold this line of division of responsibilities I shall not be able to achieve my objective of a relatively small Department of fewer than 2,000 staff (compared with over 3,000 at present) responsible for policy and for setting and monitoring the framework for the Agencies. So far from having a larger central Department to manage the additional responsibilities of setting the framework and monitoring the performance of the Agencies, I intend to make it leaner. I do not want to concede to the pressure which may arise for central handling of matters which are primarily for the Agencies, or this will rapidly turn into close supervision, second guessing and duplication of substantial additional staff numbers in the Department.

13. The second area of key sensitivity for handling will be my staff. I am convinced that my proposals for Agencies will produce better value for money, but they will not of themselves lead to further reductions in staff on anything like the scale involved in the Operational Strategy (up to 20,000 in local offices over the next few years). But those reductions, which have already started, have naturally raised the staff's consciousness about the future, in particular about large-scale changes in their jobs and their career prospects. Anxiety of the unknown, as our proposals for Agencies, privatisation and

contracting out have had to remain at present, is fertile ground for rumour and misrepresentation by the unions and quickly leads to loss of motivation and morale. I should like to end that uncertainty as soon as possible by publishing the report and announcing how I propose to proceed, on the lines of the attached statement. I attach great importance to presenting the proposals in a positive way, to convince staff that this further change to Agencies will help them to provide the quality of service to the public which we and they seek, and that we as good employers shall be meeting their proper concerns.

14. At the heart of handling this with staff, and of whether the proposed Agencies will be able to realise their potential, lie many important issues, including the financial framework and the pay and conditions of staff. I shall need to discuss these over the next few months with the Chancellor and the Minister of State, Privy Council Office and colleagues with a particular interest. I shall want to explore the possibilities of pushing ahead with performance-related pay, more direct managerial determination of pay and conditions to suit the particular circumstances of the job and no-disruption agreements in key areas as a condition of eligibility for potentially higher rewards. I also believe that we need to re-emphasise our existing pledge that Agency staff will be civil servants and will not as a result of the change see any worsening of their terms and conditions of service. Indeed, for those who perform well there is the prospect of doing better. On this basis we shall be able to assure our staff that we are creating new opportunities for them not only to improve their performance and efficiency but also to reward them for achieving it. This should motivate and retain our better staff and guarantee the continuing and better delivery of these vital services.

Conclusion

15. The introduction of Agencies in DSS in this way should give a powerful forward thrust to the programme of major changes already in hand to improve the effectiveness and efficiency of

social security operations. Officials have been alert in their work to identify any need for legislation in implementing these proposals: so far, none has been discovered. I would welcome your agreement and that of colleagues to my announcing the proposals in the week of 24 April in the terms of the attached draft statement. Colleagues will be fully consulted in the further work which I am proposing.

16. I am copying this letter and enclosures to Nigel Lawson, Norman Fowler, Tom King, John Major and Richard Luce and to Sir Robin Butler, Sir Angus Fraser and Mr Kemp.

CONFIDENTIAL

ANNEX

PROPOSALS FOR CARRYING FORWARD WORK ON DSS AGENCIES

1. The Agency Study Report concluded that virtually all DSS executive operations were suitable candidates for Agency status and recommended that Agencies should be established by April 1991. This Annex outlines the Secretary of State's initial conclusions and proposals for carrying forward the initiative.

Main conclusions

2. The Secretary of State endorses the Report's main conclusion that social security operations are suitable candidates for Agency status. He has considered alternative strategic approaches, including full-scale contracting out to the private sector, but he does not see this as a feasible way forward for the "core" services (assessing and paying benefits, collecting and recording NI contributions) because of the confidential nature of the personal information which citizens are obliged to provide to the responsible authorities, the quasi-judicial nature of benefit assessment work, and the investigative and prosecutory nature of certain critical tasks. In the case of "support" services Ministers are already committed to contracting out where this offers improved efficiency, reliability or value for money. Information Technology (IT) is one such "support" service. It is not proposed to contract out all IT services, since there may well be circumstances where an in-house service offers better value for money, and because of the impracticability and undesirability of contracting out the whole of so extensive a series of services. It is proposed, however, to test value for money by instituting a rolling programme to subject individual IT services to competitive tendering at appropriate points in the life cycle of each, including bids from external suppliers.

3. Apart from that, the Agency route is endorsed as the way forward for social security operations. In addition to the Resettlement Agency, Ministers propose that work should proceed on the possibilities for three further social security Agencies:

(a) an Information Technology Services Agency (ITSA), to provide IT services. The Agency would be able, as at present, to make use of outside organisations to provide skills or other expertise not available in-house, in addition to the rolling programme whereby individual services would be subject to regular tender, including tenders by outside organisations. The target date for the establishment of this Agency is April 1990;

(b) contributions work, which at present engages some 7,000 staff spread between local and central offices is too often overshadowed by the priorities of benefit administration. This work will be re-organised in a single unit with fewer staff by April 1990, on the basis that it could be a separate Agency;

(c) a Benefits Agency, responsible for handling claims to all benefits currently administered by DSS. Ministers endorse the Report's conclusion that it would make for poor service and inefficiency to divide this work between separate agencies, and a single body is therefore envisaged. This would be a major organisation (in current terms around 70,000 staff although this will decline substantially over the next few years as the Operational Strategy is implemented). Preparing the ground for so large and complex an Agency will take somewhat longer. The target date is April 1991.

4. The possibility of a Fraud Agency, was raised in a separate report last year and is currently the subject of a DSS/DE Efficiency Scrutiny.

Further work

5. The Report identifies a number of major issues which will need to be addressed in preparing for Agencies. This work will be carried forward over the next few months. In addition, consultation will be held with staff and their representatives. The main issues to be considered fall into five main groups: the objectives of Agencies; their organisation; the financial arrangements; the personnel arrangements; and the implications for the Department centrally.

Objectives

6. Significant advances have been made in recent years in the specification of service objectives for the administration of benefit payments and the collection of national insurance contributions, the setting of targets and the monitoring of performance by performance indicators. Further work is needed to develop these for Agencies, particularly for a Contributions Agency, since objectives, targets and performance indicators for that work are not as clear or precise as for benefits work. Objectives for an ITSA will build on the existing service agreements between the Department's computer users and providers. Objectives for a Benefits Agency will also build on the work to implement the 1988 Regional Organisation Scrutiny Report.

Organisation

7. The organisational structure for an ITSA is already substantially in place. Work is now in hand on a possible new organisational structure for contributions and compliance work which could form the basis for a discrete "business". Work is also in hand on a possible new management structure for a Benefits Agency.

Financial arrangements

8. Discussions will be held with the Treasury on the financial arrangements for DSS Agencies against the background of the need to justify additional financial flexibilities and freedoms by the delivery of planned improvements in performance. It is envisaged that Chief Executives should have Agency Accounting Officer responsibilities, on a delegated basis. Social security Agencies will continue to be financed through Vote arrangements and be subject to the appropriate Parliamentary and Treasury controls.

9. Within this broad framework a number of specific issues will need to be addressed:

(a) improved in-year financial certainty. It will clearly be important that the Department ensures that, so far as possible, Agencies' budgets, once agreed, are secure so that managers have a clear resource basis within which to plan and manage. DSS will need to consider how firm a guarantee of "ring-fencing" can be given, while leaving sufficient flexibility, within Departmental cash running costs limits, to cope with unexpected or unplanned requirements;

(b) arrangements for over- or under-spends. Strict financial discipline, both within Agencies and elsewhere, will be essential, particularly if agreed budgets are to be ring-fenced. Procedures will be needed to ensure that potential over-spends are identified early so that corrective action can be taken within the Agency and, in the event that it is necessary, by the Department. Ground-rules will also be needed on the deployment of under-spends achieved through improved efficiency and the extent to which such savings should be used for additional rewards for the staff who achieved them, to meet pressing needs elsewhere, including in the Department, re-deployed into business improvements, returned to the Exchequer to the benefit of taxpayers, or carried forward to the next financial year;

(c) end-year financial flexibility. This will be important for Agencies. Some flexibilities are possible under the present rules, under certain conditions;

(d) capital assets. Agencies will be responsible for the management of significant capital assets, including accommodation and (in the case of ITSA) computer hardware. Appropriate control arrangements will be needed. Ownership of capital assets rests with the Secretary of State but Agencies would be responsible for managing them economically and efficiently. "Capital accounts" may be needed, with Agencies operating asset registers and annual capital plans within their Business Plan;

(e) full-cost accounts. Agencies will need to comply with conventional Government accounting requirements, focussing particularly on cash. In addition it may be desirable, particularly in the case of ITSA, which will be competing with the private sector and which is a major consumer of capital, to create management, commercial-style accounts showing the full cost of individual services. This would give a clearer basis for comparisons of the costs of services provided in-house and externally;

(f) financial flows. There will be some complex problems of allocating costs between the Agencies, and between them and the Department, especially for common services, and of cross-charging where that is appropriate. Systems will need to be devised to control this, and to ensure that Agencies, in particular ITSA, are truly responsive and answerable to their customers.

Personnel issues

10. Staff will be each Agency's main resource. Several major issues will need to be considered. They include:

(a) pay. We shall need to establish how much autonomy and flexibility, particularly over relating pay to performance, including group performance, DSS Agencies will need if they are to realise their full potential for the efficient and effective discharge of their responsibilities;

(b) other terms and conditions. There are many other personnel issues (eg recruitment, training, hours, mobility arrangements, grading, promotion, out-of-grade working, discipline etc) where the precise boundaries of Agency, Departmental or central control will need to be specified. Some such issues will be for resolution between the Agency and the Department. Others (eg recruitment) would require amendments to some terms and conditions of service which are at present determined nationally, if Agencies are to be given a more responsible role;

(c) industrial relations. Discussions with trade unions and others will be needed to adapt the industrial relations arrangements to the new Agency structure, within which most such issues will in future lie.

Appointment of Chief Executives

11. The existing IT Services Directorate has a recently appointed Director, on loan from the Ministry of Defence. He is currently handling the massive programme of computerisation under the Operational Strategy and also the preparations for Agency status, including the construction of a new management team. It would make no sense to change the top manager during the process of transition, and it is proposed to confirm the current Director as the first Chief Executive Designate, on a term contract up to 1992, with a remit to carry the organisation through the transition and into the initial period of live running. Thereafter it is proposed to fill the post following public advertisement.

12. It is also essential to designate now a single person to undertake the fundamental re-organisation of contributions work over the next year which is the necessary prelude to the establishment of an Agency. That needs at this stage to be a civil servant: the initial job will be within the current civil service framework, without any guarantee that the person concerned will become the Chief Executive of any Agency, whom it is intended to appoint following public advertisement.

13. There is no immediate need to determine the appointment of a Chief Executive for the Benefits Agency. This will be one of the most important and senior Chief Executive jobs in the Civil Service and will be open to public advertisement.

Implications for Department

14. These proposals, when fully implemented, will result in a very different Departmental structure. DSS would consist of a small headquarters of under 2,000 staff, three or four Executive Agencies including the very large Benefits Agency; and a number of associated independent bodies (such as the Appeal Tribunals, Occupational Pensions Board etc). Direct management of services would rest entirely with Agencies. The role of the central Department would be to advise Ministers on policy development, programme expenditure and legislation; on the objectives, targets and resources of the Agencies, including the necessary negotiation with the Chief Executives; and to monitor the performance of the Agencies. The re-ordering and reduction in size of the central Department to enable it to discharge its new role is a further major issue to be addressed over the next two years. Experience with setting up the smaller agencies for resettlement centres, IT services and contributions will provide valuable experience in progress towards the final goal by 1991.

CONFIDENTIAL

DRAFT STATEMENT

Question

To ask the Secretary of State for Social Security whether, in the light of the study announced on 20 July 1988, he plans to create further Executive Agencies on the lines proposed in the "Next Steps" report.

Draft reply

1. I am today placing in the Libraries of both Houses the report of the study I announced last July into whether social security operations could, with advantage, be run on an Agency basis. The report focusses on the core social security functions of collecting and recording national insurance contributions and of assessing and paying benefits. It considers the role of contracting out work to the private sector and concludes that this approach would be inappropriate to many of the "core" social security services, but that it should continue to play an important role, particularly in the provision of support services within the Agency framework. It highlights a number of powerful potential benefits from Agency status, including far greater clarity about roles, responsibilities and objectives, more personal responsibility and accountability for the quality of service given to the public, and a more dynamic and flexible approach to improving performance.

2. I wish to stress that the report was concerned with the administrative arrangements for the payment of benefits and the collection of contributions. Policies will continue to be a matter for Ministers, accountable to Parliament.

3. The report concludes that virtually all the operational tasks of my Department could be run more effectively on the Agency model. It recommends that the Department's Information Technology (IT) services should be organised as a discrete Agency by April 1990, and that an Agency to handle benefits and national insurance contributions should be created by April 1991. The report identifies a number of critical issues which will need to be considered in further detail as part of the process of setting up these Agencies.

4. I welcome the conclusions of the report and I propose to pursue vigorously the opportunities to develop a more businesslike approach to running these vital public services, enabling staff to do a better and more satisfying job, to achieve greater value for money and to respond more flexibly to the needs of the public whom they serve. I have already re-organised my Department's IT services from 1 January into a single unit and I plan to give it Agency status by April 1990, with competitive tendering open also to outside contractors for the various services which it provides where that offers prospects of better service or better value for money. I also propose to organise the collection and recording of national insurance contributions in a single unit with the same target date of April 1990 and to pursue the possibility of giving that an independent and autonomous status as an Agency in its own right. Finally, I propose to establish an Agency for benefit operations by April 1991.

5. The detailed arrangements, including those in respect of finance, pay and personnel, will be the subject of further work and consultation. Staff of the Agencies will contine to be civil servants. Chief Executives will be appointed, with clearly defined objectives and budgets and given maximum autonomy and responsibility in their use and control of resources.

6. Ministers will remain accountable to Parliament and the public for social security policies and for setting the objectives and resources framework for the Agencies. The

Departmental Accounting Officer will remain answerable to the Public Accounts Committee for his own Departmental administrative expenditure and the devolved arrangements within which the Agencies will operate. It is envisaged that the Chief Executives will be Agency Accounting Officers, and will be personally accountable to the PAC for the efficient and proper administration of the resources delegated to them, and primarily responsible for the quality of the services entrusted to them.

7. My proposals will give a further powerful thrust to the improvements being made to the service given to the public. The simpler benefits structure introduced last year means that income support claims are now being put into payment faster and with fewer errors than was possible with the old supplementary benefit scheme. I have recently announced a major programme to tackle the worst service problems in London, by relocating back-room work to the North-West, Scotland and Northern Ireland. And we are now in the process of providing our staff through the Operational Strategy with the computer power they need to deliver a service which is both better for the public and more efficient to run. Establishing Agencies will reinforce these existing initiatives by creating the right structure to deliver the high quality, responsive and efficient service which the public has a right to expect.

cst.ps/ljml1.4/drfts

MANAGEMENT IN CONFIDENCE

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Young of Graffham
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

11th April 1989

Dear David,

ESTABLISHMENT OF WARREN SPRING LABORATORY AS AN EXECUTIVE AGENCY

Your letter of 21 March to Richard Luce seeks agreement to the establishment of the Warren Spring Laboratory as an Executive Agency and your subsequent letter of 4 April seeks the same for the National Weights and Measures Laboratory.

Beginning with the former, I am content to agree to the formal establishment of the Warren Spring Executive Agency from this month. I can also agree the draft framework document together with its foreword.

I welcome your proposed arm's length customer contractor relationship between DTI and the new Warren Spring Agency as a means of bringing about a fully competitive environment for all the Laboratory's work. A fully competitive environment is essential if the primary performance measure of customer satisfaction and value for money is to be meaningful. It will clearly need sustained management effort within DTI over a significant period if it is to operate effectively in practice and provide strong incentives towards greater efficiency. The effectiveness with which you can establish a clear separation between your department's role as "owner" and its role as a "customer" will also have important lessons for the longer term objective of setting an internal market for the government's civil research establishments.

However setting up the Warren Spring Agency represents only a first step. Much further work remains to be done before the full benefits in terms of improved efficiency and value for money will be delivered. I am disappointed that you will not be able to

MANAGEMENT IN CONFIDENCE

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announce precise targets for improved performance with the launch of the agency. While I can understand the need for more work on the customer contractor relationship, I had hoped to have seen more within the framework document about performance measures within the new Agency itself. It will be important for the Corporate Plan to address this.

The framework document as drafted assumes that the Agency will be operating under a net running cost regime in future, rather than the present gross regime. As the agreed foreword to the document says, my officials will be working with yours over the coming months with a view to agreeing a net regime in time for the next financial year beginning on 1 April 1990. However the significantly greater financial flexibilities that this would bring for the new Agency can only be justified if there are clear benefits in terms of efficiency gains in the operation of the Agency. This further emphasises the importance of early development of measurable output and performance targets against which improvements in efficiency can be assessed, and I will need to be satisfied that good progress is being made before confirming agreement to a net regime.

I note from paragraph 4.7 of the framework document that the possibility of introducing a financial regime on the lines of a trading fund will be considered. As the draft suggests, the prospects for improved efficiency will be important in this context, as will my comments above.

Turning to the question of the Chief Executive of the new WSL Agency, I assume that in putting forward the existing Director of WSL as the new Chief Executive you are satisfied that no external candidate would have significantly more to offer. On this basis, I am prepared to agree to Dr Reay's appointment for 3 years, but I would be grateful if you can assure me that in future the post will be advertised.

Turning to the National Weights and Measures Laboratory, I can agree your draft Framework Document and to the establishment of the National Weights and Measures Laboratory as an Executive Agency from this month. Although some 25 per cent of NWML's work is fee bearing, much of its work is not easily measured, which will make it difficult to set quantified and demanding performance targets. In the light of this I agree that it seems right not to increase NWML's financial flexibility significantly and that it should remain under a gross running cost regime.

On the question of the Chief Executive of the new NWML Agency I can agree to Dr Clapham's appointment for 3 years as you propose on the assumption that in future the post will be advertised.

I am copying this letter to the Prime Minister, Nigel Lawson and to Sir Robin Butler and Peter Kemp.

Yours Ever,
John

JOHN MAJOR.

File NL
cc PG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

10 April 1989

Dear Neil,

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

The Prime Minister was grateful for your Secretary of State's minute of 4 April and the enclosed progress report.

She is pleased to note the progress achieved so far, and looks forward to seeing the promised further report in July.

I am copying this letter to the Private Secretaries to members of MISC 133, Cabinet, Mrs. Lynda Chalker, Mr. Richard Luce, Mr. Peter Lilley, Mr. Tim Sainsbury, Mr. Cecil Parkinson, Mr. Christopher Patten, Mr. John Butcher and Sir Robin Butler.

Yours,
Paul

Paul Gray

Neil Thornton, Esq.,
Department of Trade and Industry.

B. COPY

Ref. A089/903

PRIME MINISTER

Improving Understanding between Government and Business

You have received a report from the Secretary of State for Trade and Industry on the first six months' progress by Departments on their programmes under the Government and Business initiative, with his proposals for the future.

2. As he says, the report is encouraging, with prospects of a doubling of the numbers involved in interchange. His officials, with OMCS support, propose to discuss the scope for improvement with those Departments whose level of interchange with industry and commerce is low. DTI are predominantly interested in promoting contacts with industry but I think that they recognise that some Departments must continue also to consider other kinds of interchange (eg with the EC Commission (MAFF and Customs) and other public authorities (eg DOE, Health and Social Security).

3. I endorse Lord Young's proposal that the next progress report you have commissioned, relating to the position in July (ie after one year), should indicate Departments' plans over the following five years. This will ensure that they have some longer-term aims to guide them and will avoid the need for too frequent detailed reporting.

4. Lord Young recommends that by 1993 movements into and out of the Civil Service should become an established part of the recruitment and career development of civil servants. This is, strictly speaking, outside Lord Young's remit and I have two comments on it. The first is that, to the extent that Lord Young is referring to secondments, it is already part of the

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career development of most fast-stream civil servants that they should have at least one secondment: there is scope for widening the range of civil servants to whom secondments are available. The second is that, to the extent that Lord Young envisages people moving freely between the Civil Service and other professions, this trend is promoted by the steps we have taken to increase mid-career recruitment and make reinstatement of fomer civil servants easier. I believe nevertheless that the Civil Service will remain predominantly a career profession and that, until we can be confident of our ability to recruit people in mid-career, we need to be careful that the outflow of quality civil servants does not exceed this inflow.

5. However, there is no need for the Prime Minister to make these points in acknowledging Lord Young's minute. I suggest that a private secretary reply should be sent, thanking Lord Young for the report, welcoming the progress and confirming that the Prime Minister is looking forward to a further report in July.

6. I am copying this minute to the Private Secretary to Mr Luce.

Trevor Woolley
(Private Secretary)

pp ROBIN BUTLER

7 April 1989

FRBBAJ

PRIME MINISTER

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

Lord Young's minute of 4 April (Flag A) reports on the recent work under the MISC 133 umbrella. This is in response to a personal minute you sent him last July asking for further reports from departments to that Committee. He attaches a summary report of the overall position.

He reports that developments on interchanges between Government and business have been encouraging. He recommends that:

- in accordance with your earlier minute, departments should make a further report in July;

- these reports should set out plans for the next five years, with the aim of making movement into and out of the Civil Service an established part of career development by 1993.

Sir Robin Butler's minute (Flag B) endorses the proposal for a further progress report in July. He raises some detailed doubts about the aim of making movements into and out of the Civil Service an established part of career development by 1993, but sees no need for you to register these points. He recommends that you should simply thank Lord Young for the report, welcome the progress and confirm that you are looking forward to a further report in July.

Content to respond as Robin recommends?

Yes MT

pp PAUL GRAY

7 April 1989

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the department for Enterprise

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PRIME MINISTER

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

Flat Plan 1427

You minuted me last July (M6/88) expressing your full support for the main recommendations of MISC 133 for giving further impetus to improving understanding between Government and business. You asked Departments to report to MISC 133 within six months, and again after a further six months, on their programme and on its initial implementation and you asked me to report progress to you on each occasion. Departments involved have now made their first report and I enclose a summary report of the overall position prepared by EDU and agreed with the Departments.

Taken as a whole, this is a very pleasing report. The overall target position amounts to a doubling of the numbers involved in interchange. There are, as expected, considerable differences between Departments reflecting both their responsibilities and how far they have already had experience of interchange with the private sector. I have asked EDU officials to discuss further with some Departments how they might better contribute to the policy we set out in last year's White Paper 'Releasing Enterprise' that "understanding how business works must become an integral part of the Civil Service culture" affecting "the whole Civil Service". Some Departments, for example, whose level of interchange with business is low, do not yet show any planned increase on 1987 levels.

the Enterprise initiative

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the department for Enterprise

You particularly asked me to consider, with the Minister of State, Privy Council Office, what we might do to gain a greater commitment from business to interchange with the public service. We decided that we needed to widen considerably the net of business involved and that the best approach would be a 3 month marketing campaign based on national advertising. That was launched on 1 March and is called 'The Bridge Programme'. The short-term objective is to give business information about the opportunities now available. That we have done by mailing to Chief Executives the enclosed folder showing what each Department has to offer. The longer-term aim is to bring about a change of attitude to interchange so that the private sector see it as an integral part of their own management development needs. That is being monitored and evaluated in the usual way by OMCS and EDU but it is as yet too early to assess its effectiveness. The campaign has been very well received.

You asked the Minister of State, Privy Council Office to consider whether he could offer help to the smaller Departments who are least well placed to make contacts with business. Arrangements were made for details of 14 smaller Departments (all of those which expressed an interest) to be included in the publicity for the "Bridge Programme", while making clear that their involvement would be on a smaller scale than that of the main Departments. The Cabinet Office 7 (OMCS) has also encouraged small departments to seek what help they may need from their bigger brethen, and the larger Departments to pass on to them suitable enquiries from companies.

You asked for a further report in July. I propose that Departments should then indicate their plans for sustaining and further developing their programmes, in the light of experience, over the following 5 years, taking into account changing circumstances and priorities. The aim would be, by the end of

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1993, to make movement into and out of the Civil Service an established part of the recruitment and career development of civil servants.

I am copying this letter to Members of MISC 133, Cabinet Colleagues, Lynda Chalker, Richard Luce, Peter Lilley, Tim Sainsbury, Cecil Parkinson, Christopher Patten, John Butcher and Sir Robin Butler.

D Y

4 April 1989

the Enterprise initiative

GOVERNMENT AND BUSINESS

PROGRESS REPORT: MARCH 1989

Background

1. Following a remit from Ministers at their meeting on 3 February 1988, an interdepartmental steering group (chaired by the EDU) reported in June 1988 on plans to improve understanding between Government and business. Ministers endorsed the proposals in the report on 29 June 1988 and this was reported to the Prime Minister by the Chairman. She minuted Lord Young on 26 July 1988 supporting the main recommendations (but not a central unit) and setting the timetable for Departments to establish programmes to implement their recommendations. She asked Departments to report to MISC 133 on progress in January and July 1989 and for Lord Young to report to her on both occasions.

Departments' programmes

1. Annex A summarises the targets Departments have set for interchange with business, compared with present levels. Annex B shows, for comparison, the position on long-term business secondments in 1987. Annex C describs plans and progress on training, recruitment, career development, regional careers and the Whitehall and Industry scheme. Annex D is a note on the contingent liabilities which may arise when civil servants take on non-executive directorships.

2. Taken overall, Departments' programmes will result in nearly a doubling of the numbers involved in interchange of various kinds in the first year. That is a significant commitment and a good base for further development in future years. It includes long and short-term secondments, and non-executive directorships to which several Departments attach particular importance. The target for inward secondment - only about 50% up on the present level - largely reflects Departments judgement of how far the private sector can respond quickly.

3. The differences between Departments are considerable. That chiefly, but not wholly, reflects the relevance of business contact to the work of those Departments, their recruitment position, and the priority they afford to other kinds of interchange eg with the EC Commission (MAFF and Customs), and other public authorities (eg DOE and DHSS).

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4. A key part of the policy is to extend the range of interchange to more grades and to regional staff and to involve more small and medium-sized companies. That has been taken up in some way by most Departments, in particular DTI, DE and Inland Revenue. DTI, for example, plans for 50% of its secondments and attachments to be below grade 7 level, and 40% to small and medium-sized companies.

Progress so far

5. Since programmes were established in October last year, Departments have made considerable progress. Some (eg Energy on secondments, MoD on non-executive directorships) have already achieved their targets and are planning more. Other Departments are at the exploration stage with companies, but await the planned marketing initiative to provide a boost to their range of contacts. There have been pleasing developments in training.

Marketing

6. Lord Young and Mr Luce held a press conference on 1 March to unveil the new programme to business. Since then advertisements have appeared in the press: these are backed up by a folder of detailed information about what each Department has to offer business. The campaign will be continuously monitored and if necessary adjusted to avoid over- or under-response and evaluated in the usual way for cost-effectiveness.

7. Sir Robin Butler has set up a small official steering group to advise on implementation of the secondment schemes in response to business interest arising from the campaign.

July progress reports

8. In July, all Departments will report again to MISC 133 on their achievements against targets, and the Chairman will again report to the Prime Minister. EDU will have evaluated the effects of the marketing campaign. These plans would need to take account of progress under the Next Steps initiative and the developing trend towards greater movement into and out of the civil service during the course of an individuals career.

Enterprise and Deregulation Unit

March 1989

G16ABI

ANNEX A

INTERCHANGE BETWEEN GOVERNMENT AND BUSINESS - THE NUMBERS INVOLVED

	IN	Secondments	OUT	NEDs	Short-term attachments
MAFF	-		3(3)	6(5)	around 8(1)
Cabinet Office	17+(17)		10+(10)	2(1)	-
Customs & Excise	2(1)		5(1)	2(0)	1(0)
MoD	maintain around 200			6(5)	-
DES	6(6)		4(2)	4(2)	6(4)
D/Employment	5(5)		75(63)	5(2)	maintain around 170
D/Energy	10(6)		8(6)	4(2)	-
DoE	16(11)		25(15)	maintain 14	30(0)
ECGD	-		5(1)	1(0)	6(1)
FCO	8(7)		7(6)	2(0)	-
DH/DSS	3(4)		8(4)	8(4)	Around 50 DSS
Home Office	4(1)		6(2)	2(2)	-
Inland Revenue	10(1)		25(2)	-	-
Lord Chancellor's Department	1(0)		1(0)	1(0)	1(0)
Northern Ireland	4+(4)		6(2)	-	-
ODA	1(0)		1(0)	3(0)	4(2)
Ordnance Survey	1(1)		2(0)	-	3(0)
Registry of Friendly Societies	-		6+(6)	-	-
Scottish Office	up to 14(2)		14(4)	5(1)	-
DTI	60(24)		60(15)	14(7)	80(0)
D/Transport	10(6)		15(7)	5(0)	30(0)
Treasury	maintain 14		12(10)	2(1)	2(0)
Welsh Office	3(0)		6(3)	2(0)	3(0)
TOTALS	289(210)		404(262)	88(46)	394(178)

GRAND TOTAL: Target = 1175
Existing = 696

(individual targets shown outside brackets, existing numbers within)

ANNEX B

INTERCHANGE WITH INDUSTRY AND COMMERCE 1987

	Secondments Out of Dept	Secondments Into Dept	TOTAL
Ministry of Agriculture, Fisheries and Food	4	2	6
Cabinet Office	2	11	13
HM Customs & Excise	1	1	2
Ministry of Defence	146	58	204
Department of Education and Science	2	6	8
Department of Employment	26	6	32
Department of Energy	6	6	12
DOE/Transport/PSA	24	24	48
Export Credits Guarantee Department	1	2	3
Department of Health and Social Security	6	7	13
Home Office	4	5	9
Inland Revenue	0	1	1
Northern Ireland Office	1	0	1
Ordnance Survey	1	1	2
Overseas Development Administration	1	1	2
Registry of Friendly Societies	1	7	8
Scottish Office	4	3	7
Department of Trade and Industry	34	45	79
HM Treasury	12	9	21
Welsh Office	2	0	2
TOTAL	278	195	473

Notes:

1. Only secondments lasting 3 months or more are included.

2. The MOD figures include 53 graduate trainee engineers gaining experience of industry as well as working towards their professional qualifications (compared with 41 in 1986).

SUPPORTING ACTIVITIES ANNEX C

Training

1. Departments' responses to the proposals on training show that they see the Civil Service College as a major source of the business-related training which they will require their staff to undertake. Some departments (eg. Customs and Excise, Environment, Home Office, Inland Revenue, Trade and Industry) have indicated that they will, over a period, send all (or a proportion) of staff in fast-stream grades on a Government and Industry course at the College. Other departments (eg. MAFF, ODA) would like to extend eligibility for this course to, for example, those on the Senior Management Development Programme or Management Development Programme (or on other development schemes); while others are prepared to consider sending Grade 7s, SEO, and HEOs. Some departments (eg. DOE, DTp) plan to run business appreciation courses jointly with the College.

2. As a result of the enthusiasm shown by departments for sending main-stream Grade 7s, HEOs, and SEOs on the (fast-stream) Government and Industry course, however, the College propose to run a range of other relevant courses to meet the needs of these staff for business awareness.

3. In response to the Next Steps initiative, the College has mounted three new courses which are particularly relevant to the GB initiative - strategy for public sector business; planning and

business management; and service delivery. All three courses encourage civil servants to manage Government business in a way more closely akin to those adopted in the private sector; and all are being opened to private sector students.

4. Apart from the Government and Industry Course, the Government and Industry study groups for senior staff also deal with the relationship between Government and Industry (and include sessions on deregulation). The College prospectus for 1989-90 mentions a number of courses in this area which would be suitable for those on the Senior Management Development Programme and for other senior managers. Other College courses dealing with economics, the European Community, management organisation, financial management, and communications skills are being revised to ensure that they take account of the needs of business. The College are proposing to produce a separate booklet, for distribution to departments, setting out information about all of the College's business-related courses.

5. Selected College courses are being publicised to private sector participants by means of a brochure which has been circulated through the TMP network and to organisations which have used the College in the past.

6. A considerable amount of the training that is required will continue to be done within departments. Several departments are involved in setting up joint training arrangements, including seminars, with outside organisations (involving, eg. consultants

or client companies of the departments concerned). The Department of Trade and Industry are involved in setting up a training and awareness network with major industrial and commercial companies. DTI has been invited to join a consortium with five major private sector companies to design and deliver a joint Management Development Programme.

Recruitment

7. Recruitment to over 450 junior grades - about 85% of the present Civil Service - is done entirely by departments (ie. without any involvement by the Civil Service Commission). While the Commission's prior approval is normally required before candidates from outside the Service can be appointed to other grades (broadly Executive Officer and above), departments play an important role in the recruitment and selection process at these higher levels; and for some appointments, eg. many period and part-time appointments, departments run the recruitment schemes themselves.

8. The Commission recruits each year large numbers of people to supervisory middle, and senior grades who have experience of working outside the Civil Service. Many competitions, particularly those in the science and technology areas, are aimed specifically at people with professional qualifications and appropriate outside experience. In 1987 the Commission ran a direct-entry Grade 7 scheme (for the first time since 1983). 29 of the 55 (53%) of those appointed were from industry and

commerce. A further scheme was run in 1988 and was completed just before Christmas. This was not so successful as the 1987 scheme, only 24 candidates being declared successful for around 70 vacancies (of whom two have declined appointment). Nine (about 40%) of the successful candidates have industrial or commercial experience. Also in 1988, the Commission mounted a campaign to fill Higher Executive Officer vacancies in London in five departments. 38 of 125 people recommended for appointment (30%) were from industry or commerce.

9. One of the most notable features of departments' progress reports has been their intention to use period appointments to a much greater extent than in the past, especially in such shortage areas as information technology, finance, procurement, and research and development. A number of departments are looking at the whole range of alternative working patterns (eg. part-time working, job sharing, flexible working hours) to enable them more successfully to recruit (and retain) those with scarce skills. Customs and Excise are using outside consultants to help develop a recruitment marketing strategy; some departments have indicated that the responsibility for recruitment is being delegated to lower and/or more local levels; and others are reviewing the advertising and publicity associated with their recruitment activities. A number of departments have referred to their disappointment at the outcome of the 1988 Grade 7 direct-entry competition.

Career Development

10. A number of departments have recognised the important part that can be played in the Government and Business initiative by the Senior Management Development Programme (SMDP) and the Management Development Programme (MDP), which together provide frameworks within which staff from Executive Officer to Grade 4 plan their development through job experience and relevant training. The Cabinet Office (OMCS), who are responsible for the central development and implementation of the Senior Management Development Programme, have revised the explanatory notes to the SMDP central competencies to take full account of the GB initiative and to point out to participants the advantages of a secondment to industry or commerce. It is clear from departments' progress reports that many have taken full advantage of these provisions and that they intend that the secondments and attachments to be undertaken should be seen as part of the wider development which the SMDP and MDP are designed to promote.

11. Most departments have responded positively to the other career development proposals put forward by the Working Group. Many are ready to see that increased importance is given to interchange opportunities in the context of career planning. Similarly, a number of departments are altering their annual appraisal arrangements to ensure that full account is taken of secondments or attachments.

12. The Department of Employment have worked up a strategy for Human Resource Development within which it has set a priority for developing a better understanding of the business world through secondments, attachments, and project work. A new Career Development Unit is similarly helping to realise the DHSS programme, including close contact with the regional offices so that it need not just rely on ad hoc contacts as in the past.

Scope for regional careers within the civil service

13. The DTI has taken the initiative in widening the scope for regional careers (following the success of pilot schemes in Cardiff and the North East). They and several other Government departments have recently become involved in planning interchanges of staff in eight cities. All the big civil service employers operating there are co-operating. After 5 years, the DTI wants this to be developed to a stage when civil servants increasingly can expect to be able to make their careers outside London - probably working in several departments, rather than continuing in the one they first joined.

Whitehall and Industry Scheme

14. Departments have responded positively to the proposal to expand this scheme for the attachment of high-quality Grade 5s to private sector firms for 2-3 weeks, and to extend it to selected Grade 3s, and arrangements are being made through Marks and Spencer plc for additional firms to be recruited. In order to

maintain the quality both of the civil servants selected for the scheme and of the programmes provided for them by participating firms, a phased approach to the expansion has been adopted. It is expected that the number of attachments will more than double over the next 12 months from the existing 20-24 per year.

OMCS

March 1989

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ANNEX D

NON-EXECUTIVE DIRECTORS: CONTINGENT LIABILITIES

Paragraph 8 of MISC 133(88)33 referred to the question of contingent liabilities falling on departments as a result of civil servants taking on non-executive directorships. The Treasury Officer of Accounts has advised that contingent liabilities of this nature need to be reported to Parliament but he expects that it would be acceptable for this to be done through a single minute covering all departments. The Cabinet Office (OMCS) and the Treasury are taking action between them to seek Ministerial approval for the necessary measures and for Parliament to be notified.

Gov. E MACR. Rayner
Pg 29

dti

the department for Enterprise

SENIOR STAFF AND MANAGEMENT IN CONFIDENCE

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Richard Luce MP
Minister for the Civil Service
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Our ref PB6AGT
Your ref
Date 4 April 1989

Dear Richard.

ESTABLISHMENT OF THE NATIONAL WEIGHTS AND MEASURES LABORATORY AS AN EXECUTIVE AGENCY

I indicated in my letter of 21 March that subject to your agreement and that of the Chancellor of the Exchequer I intend to establish the National Weights and Measures Laboratory as an executive agency in April. I also said I would write to you with our proposals in relation to the Chief Executive for the Agency. A draft policy and resource Framework Document for NWML which had been cleared with Treasury and OMCS Officials accompanied my earlier letter.

NWML already enjoys a high reputation for its calibration and equipment approval work, and has succeeded in adapting weights and measures regulations in ways which reduce the burden placed on business while providing a fair level of consumer protection. This is due in very large part to the efforts and leadership of Dr Peter Clapham, the Laboratory's Director since 1985. He is 48, a Grade 5, a physicist and engineer by training. I have considered whether it would be sensible to recruit someone from outside the Civil Service for the Chief Executive appointment. But I have concluded that Peter Clapham is the right man for the job. His appointment would run for three years from April 1989.

I attach my foreword to the Framework document. As you will see, I lay emphasis not only on value for money but also on the quality of service which I expect NWML to provide following its establishment as an Agency. The Laboratory is seeking relatively modest additional freedoms and financial flexibiltiies in its framework document. However I believe

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the department for Enterprise

the pay and personnel delegations, together with the flexibilities which have been introduced into Civil Service pay arrangements, will considerably ease long-standing problems the Laboratory has had recruiting and retaining its technical specialists.

Following its establishment as an Executive Agency NWML will be preparing a new corporate plan which will be submitted to me following consideration by a newly established steering board. This will include targets which will put continuing pressure on the Chief Executive and his staff to improve continuously the quality of service provided by the Agency to business.

I am copying this letter to the Prime Minister and Nigel Lawson and to Sir Robin Butler and Peter Kemp.

Yours ever
David

FOREWORD

The needs and demands of society can only be met by increasing prosperity. The principal objective of DTI is to assist this process throughout the economy and to produce a climate which promotes enterprise and prosperity both at home and abroad. We work with business to promote best practice and within Government to increase confidence in the working of markets by achieving a fair level of protection for the consumer. The National Weights and Measures Laboratory, with its role in ensuring that measuring equipment used by business is fair and accurate, plays an important part in meeting DTI's objectives.

The Laboratory is facing new challenges. The rapid advances in the technology of weighing and measuring equipment and the growing internationalisation of trade and its regulation mean that the Laboratory needs to adapt its facilities and procedures. The Laboratory will ensure that certification of measuring equipment continues to develop so as to minimise the burdens on business while fair trading is maintained. NWML's continuing contribution to the development of internationally agreed procedures is particularly important as we move towards the establishment of the Single European Market.

Establishing the National Weights and Measures Laboratory as an Executive Agency marks an important step forward to meet these challenges. The new powers and freedoms which the Laboratory will assume as an Agency will help the Chief Executive and his staff to operate with increasing efficiency and effectiveness and to introduce further innovations and flexibilities. The corporate planning process and the performance measures described in this document will together provide the right pressures to enhance the quality of the Laboratory's services.

I wish all NWML staff well in their new role. I am sure that they will rise to the challenge presented by the establishment of the Agency.

Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

From the Minister

The Rt Hon John Major MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

3 April 1989

Dear John,

APPROVAL OF MAJOR CAPITAL PROJECTS

Thank you for copying to me your letter of 8 March to Geoffrey Howe about capital projects costing more than £25m.

I welcome your proposal to raise to £50m the level of delegated authority to departments relating to capital projects. I very much hope that it receives the support of all those concerned.

I am copying this letter to the Prime Minister, to all Ministers in charge of departments, and to Sir Robin Butler and Sir Angus Fraser.

Yours ever,

JOHN MacGREGOR

Govt Mach Rayner Pt 29

CONFIDENTIAL

File mem-AMB

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

23 March 1989

Dear Brian,

VALUE FOR MONEY SEMINARS: MOD 14 JUNE 1989

I now confirm the arrangements for the seminar with the Prime Minister and your Secretary of State on Value for Money in the Ministry of Defence. The seminar will be on 14 June starting at 3.30 pm and is expected to last as on previous occasions for about an hour.

You expressed a clear preference for this year's seminar to focus again on non-procurement expenditure. This has been agreed following consultations with the Prime Minister's Adviser on Efficiency subject to two points. It would be helpful to have an indication before or as part of the presentation on 14 June of the reasons for deferring a decision on procurement expenditure for another year and the PE issues which will need to be reviewed in about 12 months time. Secondly, whilst the introduction of the new management strategy in April 1991 will no doubt be a central feature of your Secretary of State's look forward the Prime Minister will be expecting to hear from the Secretary of State about achievements in better value for money over the last 12 months and what further can be achieved over the next 12-24 months.

BF

I am copying this letter to Carys Evans (Chief Secretary's Office) and to Don Brereton (Efficiency Unit).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Brian Hawtin, Esq.,
Ministry of Defence

CONFIDENTIAL

mem

GR PC type as a letter to Brian Hawtin MoD.

Q23/3

ANDREW TURNBULL

CONP

cc Peter Jarvis

Efficiency Unit

VALUE FOR MONEY SEMINARS: MOD 14 JUNE 1989

Following discussion with our liaison points in MOD, Treasury and the Policy unit we advise you to accept the MOD proposal that the seminar should focus on non PE expenditure. We suggest in confirming this that you make the following points:

> "I now confirm the arrangements for the seminar with the Prime Minister and your Secretary of State on Value for Money in the Ministry of Defence. The seminar will be on 14 June starting at 3 30 pm and is expected to last as on previous occasions for about an hour."
>
> You expressed a clear preference for this year's seminar to focus again on non-procurement expenditure. This has been agreed following consultations with the Prime Minister's Adviser on Efficiency subject to two points. It would be helpful to have an indication before or as part of the presentation on 14 June of the reasons for deferring a decision on procurement expenditure for another year and the PE issues which will need to be reviewed in about 12 months time. Secondly, whilst the introduction of the new management strategy in April 1991 will no doubt be a central feature of your Secretary of State's look forward the Prime Minister will be expecting to hear from the Secretary of State about achievements in better value for money over the last 12 months and what further can be achieved over the next 12-24 months."

Can copy the letter to Carys Evans (Cabinet Secretariat Office) and Don Brereton (Efficiency Unit).

DMB

DON BRERETON
22 March 1989

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the department for Enterprise

NBPM

PRCG
n/3

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Richard Luce MP
Minister for the Civil Service
Horse Guards Road
London SW1

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Switchboard
01-215 7877

Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref PB6AGA
Your ref
Date 21 March 1989

Dear Minister,

ESTABLISHMENT OF OF WARREN SPRING LABORATORY (WSL) - AND THE NATIONAL WEIGHTS AND MEASURES LABORATORY (NWML) - AS AN EXECUTIVE AGENCY

Subject to your agreement and that of Nigel Lawson it is my intention to establish Warren Spring Laboratory (WSL) as an Executive Agency at the beginning of next month. I enclose a copy of the draft policy and resources Framework Document which has been cleared by OMCS and Treasury officials, and also by the Cabinet Office, in line with the procedures for establishing Agencies. We have also consulted the DTI Trade Unions on its contents. A similar process has been followed in the case of NWML which is a much smaller laboratory, and which is accordingly seeking few additional freedoms or financial flexibilities. A copy of its draft Framework Document is also enclosed. I understand it is acceptable to OMCS and Treasury officials. I will be writing to you shortly with our proposals in relation to the NWML Chief Executive.

The Framework Document gives WSL a number of freedoms and delegations which will help it to provide a better service to customers and to provide better value for money to the taxpayer. The key feature of the Framework Document is, however, the establishment of an arms length customer-contractor relationship between WSL and DTI. Our laboratories have operated in this way for some years with other Government Departments. But it will be a new and important departure for the way in which research is commissioned in laboratories by their parent Departments. As such it has involved us in detailed discussion with the Treasury and also the Cabinet Office on the way in which it will work. The Framework Document sets out the way

in which it will be operated within WSL and my officials have explained to yours the sort of changes which we propose to make to the DTI's Budget Committee arrangements to ensure that the new customer-contractor relationships are truly arms length.

I intend to announce the launch of WSL as early as possible next month in Stevenage and I hope that you and Peter Kemp will both be able to attend. We shall also be issuing a Press Notice. I would draw your attention to my foreword to the Framework Document, in which, as you see, I lay emphasis not only on value for money but also on the quality of service which I expect WSL to provide following its establishment as an Agency. I regard the latter as being particularly important since the promotion of best practice and stimulation of good management are every bit as important in the Civil Service as they are in the private sector.

WSL already enjoys an excellent reputation both in this country and overseas for its work in monitoring and combating pollution and improving the quality of the environment. This reputation owes much to the qualities of its present Head, John Reay. He is 56, a chemist by training and he came to the DTI in 1968, after starting his career in the private sector with Scottish Agricultural Industries Limited, part of ICI. He has led the laboratory well since 1985 and has successfully planned both the reorientation of the laboratory in line with my policy review last year and also the transition to agency status. I have considered whether it would be sensible to seek to recruit someone from outside the Civil Service for the Chief Executive appointment. But I have concluded in view of John Reay's record, and also of the fact that the introduction of customer-contractor relationships between laboratories and Departments will require knowledge of how these work - and of the improvements we are seeking, makes it desirable for us to appoint John Reay as the first Chief Executive. His appointment would run for 3 years from April 1989.

I should draw your attention to the fact that DTI regards it as crucially important that the new customer-contractor relationship being established for WSL should be accompanied as soon as possible by a new net administrative cost and control system which would require the laboratory to match the resources which it devotes to research to the income which it can generate from orders. I understand the Treasury while sympathetic to the idea of a net operating cost regime is not ready to agree to the introduction of such a regime before

dti

the department for Enterprise

1 April 1990. This would allow the new systems to run for a year without such a regime. I am prepared, reluctantly, to accept this but I hope that Treasury colleagues can agree in principle that such a regime should apply from the beginning of 1990/91. I am sure that I can satisfy the Treasury that this is the right way forward. Beyond that we will need to consider WSL for Agency Fund status.

Following its establishment as an Executive Agency WSL will be preparing a new corporate plan for consideration by its steering board which will be submitted to me for my approval. I intend to strengthen the steering board by the appointment of three independent (ie private sector) members. Its key tasks will be to examine WSL's strategy as proposed in its annual corporate plans and advise me on whether it is realistic; and equally important, to monitor the performance of the laboratory in-year. The private sector members will play a particularly important part in assessing whether the laboratory's performance measures, which will supplement the key discipline of matching expenditure with income gained under the new customer-contractor relationship are appropriate; and whether the laboratory's performance against them is satisfactory.

I am copying this letter to the Prime Minister and Nigel Lawson and to Sir Robin Butler, John Fairclough and Peter Kemp.

Yours sincerely,

Geoff Jones

(Approved by the Secretary of State and signed in his absence)

the Enterprise initiative

cc PU.

Foreign and Commonwealth Office

London SW1A 2AH

20 March 1989

NBPM
Rec
20/3

Dear Jill,

Approval of Major Capital Projects

The Foreign Secretary was grateful for the Chief Secretary's letter of 8 March proposing an increase in the size of capital projects which require approval by a Treasury Minister. The Foreign Minister is content with this proposal.

I am copying this letter to the Private Secretaries to the Prime Minister and all Ministers in charge of departments, Sir Robin Butler and Sir Angus Fraser.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

Ms Jill Rutter
PS/Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

GOVT MACH: Rayner pt 29.

File 8b

CPU

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

13 March 1989

The Prime Minister was grateful for your Minister's recent letter enclosing information on the Bridge Programme, which she has noted.

(PAUL GRAY)

Andrew Heyn, Esq.,
Office of the Hon. Francis Maude,
Department of Trade and Industry.

cst.ps/6jml3.3/drfts

MANAGEMENT IN CONFIDENCE

CDP 14/3

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

13th March 1989

Dear George,

DEFENCE RESEARCH AGENCY at Farnborough

Thank you for your letter of 7 March.

We are agreed that the programme of work over the next two years will include a close examination of the scope for transferring to the private sector the individual assets, functions and activities of the Research Establishments. As regards the announcement, I am content to proceed on the basis you propose on the understanding that the terms of the PQ will not constrain or inhibit this work.

I am copying this letter to the Prime Minister, other OD and E(ST) colleagues and to Sir Robin Butler, Sir Angus Fraser and Mr Kemp.

Yours Ever,
John

JOHN MAJOR

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a E.U/CO

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

12 March 1989

VALUE FOR MONEY TARGETS:
DECISIONS ON STATUTORY PROPOSALS

The Prime Minister has seen your Secretary of State's minute of 23 February. She has endorsed the more ambitious targets proposed for reaching decisions on statutory proposals to close LEA maintained schools. She has also noted that applications for grant maintained status will necessarily take somewhat longer to be decided.

I am copying this letter to Sir Angus Fraser (Efficiency Unit).

ANDREW TURNBULL

SA

Tom Jeffery, Esq.,
Department of Education and Science.

The Hon Francis Maude MP
Minister for Corporate Affairs

R 10/3

GOVERNMENT AND BUSINESS INVESTING IN EACH OTHER

The Rt Hon M Thatcher MP
House of Commons
London
SW1 OAA

Department of Trade & Industry
1 - 19 Victoria Street
London
SW1H OET
Switchboard
01-215 5000

Prime Minister
You may wish to be aware.
PRCG
10/3

10-3-89

Dear Prime Minister

We have this week launched a new initiative to improve understanding between Government and business. It is called the Bridge Programme, and it will work principally by giving a major boost to secondments and job exchanges between the Civil Service and business. It will improve practical skills and understanding on both sides and will be implemented by every Whitehall Department. In my own Department, for example, within five years every offical at Grade 3 and above will have had some involvement in the business world either by secondment or by a non-executive directorship.

Civil servants and people in business go to great lengths to explain their points of view to each other. But they do not always fully understand each other's problems and priorities. We want to help build that awareness by sending more civil servants to work in companies to let them see for themselves how business operates. But this should be a two way process. We also want to see more people from business getting first hand experience of working in Government Departments.

There are clearly great benefits for business from this programme. It is entirely in their interest that civil servants should understand business. And businesses will gain from their own employees getting experience of government. The Bridge Programme has a flexible approach, with the length and terms of secondments tailored to the needs of the companies and individuals concerned.

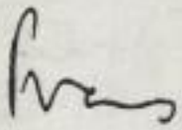
I am enclosing a folder which shows the range of opportunities available under the Bridge Programme. This is being sent to 15,500 firms nationwide. You will see that

w/ attached envelope

each Department has drawn up its own action programme. The purpose of our publicity campaign is to alert companies throughout the country to the opportunities. We hope especially that medium-sized and small firms will want to participate.

I hope that you will take any opportunity to encourage businesses in your constituency to participate in this programme. Companies who are interested should be in touch direct with the Government Departments that they think would be most suitable for them. The contacts and telephone numbers are listed by Department on the cards in the folder and the full list is on the inside cover of the folder. If you or companies in your constituency have any general questions about the Bridge Programme, or if you would like more copies of the information folder, Janet Whiting in the DTI's Enterprise and Deregulation Unit would be pleased to help. She can be contacted on 01-215 5271.

Yours ever



2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

Andrew Turnbull
Private Secretary to
The Prime Minister
10 Downing Street
LONDON
SW1A 2AA

9 March 1989

Dear Andrew

THE WORK OF THE EFFICIENCY ADVISER AND THE EFFICIENCY UNIT

The Secretary of State has seen your letter of 14 February about this to Sir Angus Fraser.

He has commented that he strongly agrees with the Prime Minister's emphasis on Departments' developing coherent strategies for management and efficiency, with the Efficiency Unit working alongside Departments to achieve this.

The Secretary of State also agrees that the Unit has a particular role in carrying through reviews of matters which are common across Departments. One issue in this category which he particularly feels would repay attention is that of surplus land and housing held by Departments. The Treasury already set targets for Departments' disposal receipts, as part of the Public Expenditure Survey. The Chancellor recently spoke to the Secretary of State about what more could be done to maintain the momentum of disposals. He has considered this, and feels that a cross-Departmental scrutiny of the different arrangements for identifying and disposing of surplus land and houses would provide a useful stimulus to Departments in managing their property assets and disposing of those that are no longer needed.

The Secretary of State has written separately to the Chancellor outlining this suggestion - I attach a copy of his letter of 28 February.

Finally, the Secretary of State notes the proposals for the Unit to look at Departments' systems for securing efficiency in areas where the Government has responsibility for major policy but no direct control over the delivery of service. On this, the Department is currently carrying out an Efficiency Scrutiny of our controls on the running costs of Sponsored Bodies; and we will also be taking part in the cross-departmental scrutiny of Government support for the Voluntary Sector. On the local government side, the Audit Commission is our main instrument for overseeing local authority efficiency and promoting good

practice. But the community charge and the reforms in the current Local Government and Housing Bill are of course designed to produce strong in-built disciplines for efficiency. It will take time for these reforms to to work through, and my Secretary of State does not believe in pulling up tender roots to see how they are growing.

The Secretary of State welcomes the opportunity to discuss progress on efficiency issues with Sir Angus, and is pleased to know that these periodic meetings will continue.

I am copying this letter to the Private Secretaries to Members of the Cabinet, other Ministers in charge of Departments and to Sir Robin Butler.

Yours sincerely

Roger Bright

R BRIGHT
Private Secretary

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon Nigel Lawson MP
HM Treasury
Parliament Street
LONDON
SW1 3AG

24 February 1989

During our discussion on 18 January we touched on the subject of the surplus land and dwellings held by Government Departments. I promised to write to you with thoughts on further action we might take. Since then John Major, in his minute of 6 February, has drawn attention to shortcomings in Departments' systems for managing these assets. And I have now reviewed progress with the benefit of the latest information from my registers of unused and underused publicly owned land and the initiatives we are pursing to get empty dwellings back into use.

On the local authority front, I consider that we are doing as much as we can on unused land. We are pressing them to heed the advice of the Audit Commission's report last year on Property Management, we are maintaining incentives to the disposal of assets in the new capital control arrangements, we are agreeing a code of practice under which they will themselves publish annually details of their holdings of unused land and we shall shortly be relaunching the scheme whereby the public can request me to use my powers to direct disposal of sites on the land register. That is a formidable set of sticks and carrots. I should also add that we have in hand a joint exercise with local authorities assessing the type and number of empty council dwellings. This is part of the strong pressure we are putting on them to reduce their void level to maximise use of stock.

For nationalised industries the latter two measures will also apply. Privatisation is also an important measure in securing better property management.

That leaves Government Departments and their agencies. It is there that I consider we need to make a new and determined effort to ensure that all Departments not only carry out Government policy of disposing of surplus assets promptly but also have in place effective property management systems. On the housing side we are particularly vulnerable as the percentage of empty Government dwellings and those owned by other agencies is significantly higher than in any other sector. Given the level of housing demand and the

pressure we are putting on local authorities to reduce their empties, I am anxious that we are seen to be making efforts to put our own house in order. Unfortunately the information we have available is limited as no register of empty dwellings, comparable to the land registers is available. The problem is further compounded by some Departments retaining large numbers of empty dwellings for operational purposes, which do not appear in their disposal plans. On the latter, however, we are exploring possibilities for using the empty stock on a temporary basis to ease homelessness.

You indicated that you were prepared to take the lead in this matter by holding a meeting with colleagues. I suggest that they be asked to undertake a special exercise to identify and dispose of surpluses, setting targets in terms of numbers of acres and dwellings. This would be a means of focusing their minds on the problem. The exercise should also include more detailed information than currently available on their surplus and empty dwellings. You may also like to consider if the subject is an appropriate one for a Rayner scrutiny of Departments' practices across the board, preferably immediately, or later in the light of the results of the new initiative.

Local authority land holdings, are an important part of the overall picture and I should be happy to discuss that aspect further with you. But I suggest that they would not be an appropriate topic for the above meeting. (Apart from the territorial departments, colleagues have no direct responsibility for local authorities.)

My attached summary of the record of disposals by Departments over the last few years, as reflected in the land registers, could provide a basis for such a meeting. But note that the figures are not directly comparable with those assembled for John Major's exercise: the land registers cover England only and they deal with unused and underused land, which is not always the same as surplus land; we depend upon Departments to give us land register information and suspect that the figures are indicative rather than definitive; and dwellings do not feature on the registers though they do in your Department's figures. We ought to make sure we know how many dwellings each Department has which are surplus and the number they are holding empty for operational use. Could they be asked to prepare such figures for the meeting?

NICHOLAS RIDLEY

Go to MACH: Rayne
A29

UNUSED AND UNDERUSED LAND OWNED BY GOVERNMENT DEPARTMENTS IN ENGLAND:
DISPOSALS 1984-88

Acres

Department	1984	1985	1986	1987	1988	Total disposals 1984-88	Holdings on land registers 31.12.1988
Health	25	334	298	426	195	1,278	4,400
PSA	89	53	35	125	102	404	1,000
Defences	408	474	70	462	256	1,670	700
Transport	-	66	26	20	-	112	380
Energy	-	-	-	30	9	39	140
Trade & Industry	-	-	-	12	57	69	6
TOTALS	522	427	429	1,075	619	3,572	6,626

GOVT MACH: Rayner
Pt 2

ANDREW TURNBULL cc Professor Griffiths

COMMENTS ON MINUTE FROM KENNETH BAKER TO THE PRIME MINISTER ON VFM TARGETS FOR DECISIONS ON SCHOOL CLOSURES

I suggest that you reply to Kenneth Baker's ~~minute~~ letter of 23 February on the following lines:-

> "The Prime Minister was glad to see an improvement in the timetable for deciding on statutory closure proposals without any loss in the quality of the decision making process. She accepts that the timetable will be different where an application for grant maintained status has to be considered at the same time. The central objective of reducing unnecessary school provision and redirecting resources from unproductive to productive areas must always be borne in mind."

DRB

DON BRERETON
9 March 1989

Gaio Mach: Rayne Pt 29.

cst.ps/15jm8.3/lets

cc PU

MBR to this
Rec. RACG 9/3

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Sir Geoffrey Howe QC MP
Secretary of State for Foreign Affairs
Foreign & Commonwealth Office
King Charles Street
London
SW1A 2AH

8th March 1989

Dear Geoffrey,

In FILE ER Part 18

APPROVAL OF MAJOR CAPITAL PROJECTS

You may recall that, following a recommendation by Sir Robin Ibbs in 1985, it was agreed that capital projects over £25 million should be approved by a Treasury Minister, in response to a submission from a Minister in the department concerned.

I am writing to propose that this threshold should now be raised to £50 million.

This is for two reasons. First, the present arrangements for approval of large projects by Treasury Ministers were introduced in support of a wider set of measures to improve the management of major capital projects. These wider measures are now increasingly well established in departments. Second, following the increase in construction prices since 1985, largely because of the continuing strength of investment demand in the private sector, and with the imposition of VAT on non-domestic new construction from 1 April this year, the number of projects requiring approval under these arrangements is becoming excessive. A new threshold of £50 million would, I believe, be pitched at the right level.

I should add that this proposal has no implications for the delegated limits to departments below which capital projects do not need to be submitted to Treasury expenditure divisions. These limits will continue to be separately reviewed. Nor does it apply to defence equipment, for which limits have been separately agreed.

I should be very grateful if you could let me know by 17 March whether you have any difficulties with this proposal, which has the support of the Efficiency Unit. If you and colleagues are generally content, the new threshold might be introduced with effect from the start of the 1989-90 financial year.

I am copying this letter to the Prime Minister and to all Ministers in charge of departments, and to Sir Robin Butler and Sir Angus Fraser.

Yours Ever, John

JOHN MAJOR

Gow it mach: Raum
A 29

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MO 20L

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

7th March 1989

CDP 8/3

Dear John,

Thank you for your letter of 2nd March. at Ref A

I can confirm that over the next two years both the MOD Implementation Team and the Chief Executive (Designate) will be examining very closely the placing of research activities in the private sector wherever it is feasible and economic to do so.

However, as I made clear in my letter of 21st February, I am not prepared to include this point in my announcement. To do so at this time will seriously demoralise a workforce who are already apprehensive on this point and who are critical to the Defence interests for which I am responsible. It would also endanger our important research exchanges with the USA and is in any case unnecessary since you already have my assurance that the necessary studies will be undertaken. at Ref A

Time is moving on and these exchanges have already cost us several weeks. Any further delay will inevitably lead to a postponement in the creation of this agency and I must in any case make an announcement before the Easter Recess in order to set in place a number of senior management changes for the new financial year. I am therefore arranging for the PQ to be answered next week.

The Rt Hon John Major MP

I am copying this to the Prime Minister, other OD and E(ST) colleagues and to Sir Robin Butler, Sir Angus Fraser and Mr Kemp.

Yours ever,

George

George Younger

GOVT MACH: Pagur PT 29.

FC
SA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 March 1989

VALUE FOR MONEY SEMINARS

Since there have been so many changes, I thought I should write to confirm the seminars which have been set up between now and the end of the summer session.

1.	Monday, 24 April	1500-1600 Department of Social Security
2.	Tuesday 16 May	1130-1230 Treasury
3.	Wednesday 14 June	1600-1700 Ministry of Defence (Procurement Executive)
4.	Wednesday 19 July	1600-1700 Home Office

I can also confirm that Sir Angus is in the diary for half an hour before each seminar.

MRS AMANDA PONSONBY

Miss Anne Rhys
Efficiency Unit
Cabinet Office

10 DOWNING STREET

Note:

Brian Hawtin phoned to say that MoD preferred not VFM seemed to be a no-procurement. I said existing plan was to procurement & follow up that d 1987

Spoke to Dr Brecken and asked him to speak to Steve Robson to see what HMT preferred. Will then talk to MoD and produce back to me.

BF // cf to close in two weeks

2/3

cst.ps/3jm2.3./lets

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

cc DP
2/3

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

2nd March 1989

Dear George,

DEFENCE RESEARCH AGENCY

Thank you for your letter of 21 February. I have also seen Richard Luce's letter of 17 February.

Your officials have sent mine the Terms of Reference of the MOD Implementation Team. I understand that one of the responsibilities of the team in the period over the next 2 years will be:

> "examining the scope in the short or longer term for activities to be carried out by the private sector or by contractorisation"

I would be content to proceed on the basis that this work will include examining the individual activities, functions and assets of the Establishments to identify those which could be transferred to the private sector. After an Agency is established, we will, of course, need to continue to look at privatisation and contractorisation as you suggest.

I hope you can agree to proceed on this basis. It will require some amendment to your draft PQ. I suggest a new penultimate sentence as follows:

> "One of its responsibilities will be to examine the scope for transferring activities, functions and assets of the Establishments to the private sector.'

I am copying this letter to the Prime Minister, other OD and E(ST) colleagues, and to Sir Robin Butler, Sir Angus Fraser and Mr Kemp

Yours Ever, John

JOHN MAJOR

GOVT MACH: Rayner Pt 29

CONFIDENTIAL

FILE

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cc P.U.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

TREVOR WOOLLEY
CABINET OFFICE

FUTURE OF COUNTRYSIDE BODIES

At the Prime Minister's VFM seminar last October on the Department of the Environment it was envisaged that there would be an efficiency scrutiny into the three Countryside Bodies. Mr. Ridley has now minuted the Prime Minister saying that, instead of an efficiency scrutiny, he has conducted an internal review from which emerge some proposals for reorganising these Bodies.

I would be grateful to know whether the Cabinet Office have any views on these proposals from a Machinery of Government point of view; and whether the Efficiency Unit are content that the proposed scrutiny has been replaced by an internal review.

ANDREW TURNBULL
1 March 1989

KAYART

CONFIDENTIAL

KK

To Efficiency Unit
advise

cc Professor Griffiths
Mr Jenkins
(Efficiency Unit)

Prime Minister
Mr Baker proposes to trim one month from maximum and more from the average. Efficiency Unit are content - much better. Agree?
AT 9/3

Yes

PRIME MINISTER

Value for Money Targets: Decisions on Statutory Proposals

Top

1. Following our discussion on 11 January I have looked again at the scope for reaching more rapid decisions on statutory proposals to close LEA maintained schools, with a view to setting more demanding targets. My conclusion is that it should be possible to improve on existing targets and to reach decisions in all cases no more than three months from the expiry of the statutory period of notice and five months from the publication of the proposals.

2. I entirely share your concern to improve on the time taken to reach decisions in these cases. The new target would be the maximum period for deciding proposals. It is one month less than the target recommended by Sir Angus Mitchell in his 1987 Scrutiny report: and it would represent a substantial reduction in the average time for decisions.

3. I would like to set even tougher targets but I have to bear in mind that proposers have a statutory right to comment on objections up to one month from the end of the period of notice. This means that it is often three months before the Department has the necessary information. My new target assumes that Department action is completed within four weeks and that Minister reach decisions within a similar period.

4. I agree that it would be right to take a tougher line with Members wishing to bring deputations or make personal representations outside the period of notice and I have asked John Butcher to explain to colleagues the reason for this new approach.

5. It will not be possible, however, to set similar targets for the consideration of statutory proposals which are linked with applications for grant maintained status. This is because an application to opt out must be considered simultaneously with a proposal for closure, and decided first; and because an application for GM status can be made at any time up to the point of decision on the closure proposal.

6. My internal target for decisions on GM school applications is three months from the date of publication and I would like to review it against the rate of increase in applications for GM status. I do not yet propose to publish this target and if pressed my position would be to guarantee decisions within four months.

7. I will be writing separately about the other issues which we discussed.

KB

KB 23 February 1989

DEPARTMENT OF EDUCATION AND SCIENCE

PS.

You will have seen that I was able to announce yesterday the approval of the first two GM schools, in each case less than a month from the end of the period of notice and less than 3 months from the publication of the proposals. Attached is a table showing the relevant dates in each case.

Audenshaw High School

Ballot Result	-	5.12.88
Proposals Published	-	9.12.88
Announcement	-	22.2.89

Skegness Grammar School

Ballot Result	-	2.11.88
Proposals Published	-	30.11.88
Announcement	-	22. 2.89

CONT MAGH: Rayner PT29

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 20E

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

21st February 1989

CDP 22/2

Dear John,

DEFENCE RESEARCH AGENCY

Thank you for your letter of 10th February. I am glad to know that you agree with the thrust of what I am proposing for the Research Establishments.

As regards your point on the programme of work, I have asked my officials to re-circulate the Action Plan and the Terms of Reference for the Chief Executive (Designate) and the MOD Implementation Team. These have already been discussed in an inter-departmental group chaired by Mr Kemp, with which your officials were involved; I understand that Mr Kemp has confirmed that he is content that the papers cover all the points he would wish to see included. I attach as requested a copy of my proposed announcement.

I am surprised at your comment about privatisation. This has already been discussed at some length by our officials and, as I have made clear, I have considered the possibility carefully. The ability of my Department to act as an "intelligent customer" for defence equipment relies heavily, and would continue to do so after the move to the Agency, on objective technical support and advice from the Research Establishments. The future availability of this support - which in some areas is of the highest security - could not be assured

The Rt Hon John Major MP

if the Establishments were sold on the market, and I would not regard special share arrangements as offering sufficient guarantees. Nor could we count on the continued co-operation in research from our allies - in particular the United States - from which, as I have said, we are the net beneficiary. I would also be strongly opposed to subjecting the staff of the Establishments concerned to what I regard as an unnecessary and probably prolonged period of uncertainty about their future.

For these reasons, I wish to make it clear in announcing the plans for further work that the Agency would be established in the public sector; otherwise the wrong signals would be given to both allies and industry.

I would add that under present arrangements parts of the defence research programme are placed with industry by the Research Establishments. Outside contractors are also employed to operate a range of facilities. The further work to develop the Agency will include, as an important aspect, examining how involvement of the private sector could be extended either by more contractorisation or by competition. The Terms of Reference of the Chief Executive (Designate) and of the Implementation Team make this clear. In addition, as I said in my earlier letter, I do not rule out looking again at privatisation, in whole or in part, at a later date when the Agency has established itself.

I do not wish to lose momentum; and I am keen that staffs should now proceed without further delay with all the work and planning that will be needed to bring the Agency to fruition. But my primary concern must be to safeguard our vital defence interests. I do not think that the outstanding issue between us is capable of resolution by officials. If, on reflection, it still causes you difficulty, I propose that we meet.

I am copying this letter to the Prime Minister, other OD and E(ST) colleagues, and to Sir Robin Butler, Sir Angus Fraser and Mr Kemp.

Yours ever,

George

George Younger

DEFENCE RESEARCH AGENCY - Text of Inspired PQ

A N Other, MP - To ask the Secretary of State for Defence, whether he will report progress on the proposal to establish the Defence non-nuclear Research Establishments as an Executive Agency.

Draft Answer

I accept that change is needed in the way defence research is organised in order to obtain better value for money for our expenditure on defence research and project support. I consider that this could be best achieved through a sharper relationship between the customers for and suppliers of defence research and by better focused and strengthened internal management in the Establishments.

2. I have therefore decided to establish the four main non-nuclear Research Establishments - the Admiralty Research Establishment, the Royal Aerospace Establishment, the Royal Armament Research and Development Establishment and the Royal Signals and Radar Establishment - as a single organisation, with the intention that they should become an Executive Agency under the Government's Next Steps policy. [Other related parts of MOD may also be included following current studies.]

3. There will be full consultation with Trades Unions. I am also taking steps to select and appoint, by open competition, a Chief Executive (Designate), who will be responsible for day-to-day management of the organisation and for developing a comprehensive management plan for the proposed Agency in response to MOD requirements. In parallel, an Implementation Team is being set up in MOD charged with overall coordination of the project. Final decisions to proceed and on the status of the Agency within the public sector will be taken in the light of this further work, with the aim of establishing the Agency in the spring of 1991.

GOVT MACH: Rayne pt 29,

file KK

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ANGUS FRASER
EFFICIENCY UNIT

THE WORK OF THE EFFICIENCY ADVISER AND THE EFFICIENCY UNIT

The Prime Minister discussed with you your tasks and the work programme of the Efficiency Unit.

The Prime Minister emphasised that she continues to attach a high priority to improving management, reducing costs and improving effectiveness, and considers it essential for the Efficiency Unit to continue their work in developing the use of scrutinies to improve the delivery of Government programmes and policies, both within Whitehall and, more widely, throughout the public sector.

The Prime Minister looks forward to continuing her programme of discussions with Ministers on value for money in their departments. She also emphasised the importance she attaches to your annual discussions with Ministers and their Permanent Secretaries about the targets and scrutinies planned for each Department. She agreed that greater emphasis should be put on the development of a coherent departmental strategy for better management within which the use of targets and scrutinies should be an integral part.

The Prime Minister looks to you to represent her interest in securing substantial improvements in the management of the public service. In particular, she would like you to work with Ministers to:

- develop the departmental strategies for better management;

- use scrutinies and targets to ensure improvement in the delivery of specific results and services, not least service to the public;

- look at specific areas of activity within Government which raise questions of management and effectiveness.

87

In particular, the Prime Minister suggested that the Efficiency Unit should explore the issues of effectiveness, accountability and value for money within the EC which you discussed with her. She agreed that there should be discussion of a programme of reviews of important matters which were common to the Civil Service as a whole and which needed to be addressed as the implications of the Next Steps initiative became clearer. She also agreed that the Unit should look at Departmental management of arrangements for areas of expenditure where the Government had responsibility for major policy but had little direct control over the delivery of service.

You should report directly to the Prime Minister on all this work and seek her personal involvement wherever you think it necessary. You should also work closely with the Head of the Home Civil Service.

I am copying this minute to the Private Secretaries to Members of the Cabinet, other Ministers in charge of Departments and to Sir Robin Butler.

AT

ANDREW TURNBULL

14 February 1989

Prime Minister
To note
AT 12/2

MR TURNBULL

cc Sir Robin Butler

I attach a final draft of a possible remit on work of the Efficiency Unit and Adviser.

It would be convenient if the eventual minute could be issued on Monday 20 February, as I shall be attending the Permanent Secretaries' Wednesday morning meeting later that week.

pp. ANGUS FRASER

10.2.87.

Excellent - good
AT

KKIAKD

DRAFT LETTER FROM ANDREW TURNBULL TO ANGUS FRASER

THE WORK OF THE EFFICIENCY ADVISER AND THE EFFICIENCY UNIT

The Prime Minister discussed with you your tasks and the work programme of the Efficiency Unit.

The Prime Minister emphasised that she continues to attach a high priority to improving management, reducing costs and improving effectiveness, and considers it essential for the Efficiency Unit to continue their work in developing the use of scrutinies to improve the delivery of Government programmes and policies, both within Whitehall and, more widely, throughout the public sector.

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- develop the departmental strategies for better management

- use scrutinies and targets to ensure improvement in the delivery of specific results and services, not least service to the public

- look at specific areas of activity within Government which raise questions of management and effectiveness.

In particular, the Prime Minister suggested that the Efficiency Unit should explore the issues of effectiveness, accountability and value for money within the EC which you discussed with her. She agreed that there should be discussion of a programme of reviews of important matters which were common to the Civil Service as a whole and which needed to be addressed as the implications of the Next Steps initiative became clearer. She also agreed that the Unit should look at Departmental management of arrangements for areas of expenditure where the Government had responsibility for major policy but had little direct control over the delivery of service.

You should report directly to the Prime Minister on all this work and seek her personal involvement wherever you think it necessary. You should also work closely with the Head of the Home Civil Service.

I am copying this minute to the Private Secretaries to Members of the Cabinet, other Ministers in charge of Departments and to Sir Robin Butler.

cst.ps/4jm10.2/drfts

MANAGEMENT IN CONFIDENCE

Treasury Chambers, Parliament Street, SW1P 3AG

CBD
13/2

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
Main Building
Whitehall
London
SW1A 2HB

10 February 1989

Dear Secretary of State,

DEFENCE RESEARCH AGENCY

Thank you for your ~~letter~~ draft of 31 January.

It is clearly desirable to improve efficiency and value for money in this area. I share your view that the key changes required are a sharper relationship between customers and suppliers and improved internal management.

I am quite content with your proposal to merge four of the Establishments and to conduct a programme of work with a view to this organisation becoming a "Next Steps" Agency. It will be important that this programme of work covers the list of issues that Peter Kemp, the Next Steps project manager, sent to your officials on 23 December. I would be grateful if an action plan based on this list could be sent to my officials as a matter of urgency.

I am also content with your proposals to recruit a Chief Executive (Designate). It would be helpful if his terms of reference, and those of the MOD implementation team, could be agreed between our officials. I would also welcome the opportunity to see your proposed announcement in draft.

My only reservation concerns the way you propose to handle privatisation. The guidance on establishing agencies which was agreed by Cabinet sets down the need to consider the alternative of privatisation. The Prime Minister also made this clear in a written PQ on 24 October.

MANAGEMENT IN CONFIDENCE

Gov't mach: Rayner A 29

In your letter you advance three arguments against privatisation. The first two do not, however, appear to rule out partial privatisation and the third could be handled by a special share which gave us powers to prevent an unwelcome takeover.

I do not think we are currently in a position to take this debate forward. We need a fuller and more detailed analysis of the privatisation option. I, therefore, suggest that, as part of the programme of work to be undertaken, our officials should examine the case for privatisation and contracting out. A suitable form of words defining the necessary work is contained in paragraph 3 of Mr Kemp's list of issues. Until this work has been undertaken, and we have had an opportunity to consider it, I must ask you not to say to the staff that the organisation/Agency will be in the public sector. The work on privatisation need not, of course, hold up your plans to merge the four Establishments and to recruit a Chief Executive (Designate).

I am copying this letter to the Prime Minister, other OD and E(ST) colleagues and to Sir Robin Butler, Sir Angus Fraser and Peter Kemp.

Yours sincerely, P Walker

pp JOHN MAJOR
(Approved by the Chief Secretary
and signed in his absence))

MRS. PONSONBY

VALUE FOR MONEY SEMINARS

Please see the attached note which Andrew Turnbull gave me about setting up future Value for Money seminars. I have done those for the Home Office, Social Security, MOD and Treasury which takes us up to the end of the summer session. I attach a copy of my note to Kate Jenkins about this for your information.

I have not done the other three which will need to be fitted into September/October, November and December and suggest that you might do these once you have written in the diary for this period (ask Janice to bring up on a suitable date to remind).

Tessa

TESSA
10.2.89

file
VD 46

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

9 February, 1989.

VALUE FOR MONEY SEMINARS

This is just to confirm the four Value For Money Seminars which I have set up between now and the end of the summer session:

1. ~~Tuesday, 25 April~~ Mon 24 April
   ~~1000-1100~~ ~~1300-1500~~ 3-4
   ~~Home Office~~ Social Sec ~~Social Security~~
   ~~14 Sept?~~

2. Tuesday, 16 May
   ~~1000-1100~~ 1130-1230 Treasury
   ~~Department of Social Security~~

3. Wednesday, 14 June
   1600-1700
   Ministry of Defence

4. Wednesday, 19 July
   1600-1700
   ~~HM Treasury~~ Home Office

As usual, I have reserved the half hour just prior to each of these seminars for Sir Angus to come and brief the Prime Minister. I will be writing to each Department concerned to confirm the seminars.

(Mrs. Tessa Gaisman)

Miss Kate Jenkins,
Efficiency Unit.

file to

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 February, 1989.

This is just to confirm the VFM Seminar which has been fixed for Wednesday, 19 July, at 1600-1700. I understand that the Secretary of State and the Permanent Secretary attend these seminars from your Department, and Sir Angus Fraser from the Efficiency Unit will also be there.

(Mrs. Tessa Gaisman)

Mrs. Julie Thorpe,
HM Treasury.

file to

10 DOWNING STREET
LONDON SW1A 2AA

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9 February, 1989.

This is just to confirm the VFM Seminar which has been fixed for Wednesday, 14 June at 1600-1700. I understand that the Secretary of State and the Permanent Secretary attend these seminars from your Department, and Sir Angus Fraser from the Efficiency Unit will also be there.

(Mrs. Tessa Gaisman)

Miss Sue Ambler-Edwards,
Ministry of Defence.

file to

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 February, 1989.

This is just to confirm the VFM Seminar which has been fixed for Tuesday, 16 May, at 1000-1100. I understand that the Secretary of State and the Permanent Secretary attend these seminars from your Department, and Sir Angus Fraser from the Efficiency Unit will also be there.

(Mrs. Tessa Gaisman)

Stuart Lord, Esq.,
Department of Social Security.

file to

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 February, 1989.

This is just to confirm the VFM Seminar which has been fixed for Tuesday, 25 April, at 1000-1100. I understand that the Secretary of State and the Permanent Secretary attend these seminars from your Department, and Sir Angus Fraser from the Efficiency Unit will also be there.

(Mrs. Tessa Gaisman)

Ms. Helen Murray,
Home Office.

File

MRS. PONSONBY

VALUE FOR MONEY SEMINARS

Please see the attached note which Andrew Turnbull gave me about setting up future Value for Money seminars. I have done those for the Home Office, Social Security, MOD and Treasury which takes us up to the end of the summer session. I attach a copy of my note to Kate Jenkins about this for your information.

I have not done the other three which will need to be fitted into September/October, November and December and suggest that you might do these once you have written in the diary for this period (ask Janice to bring up on a suitable date to remind).

TESSA

10.2.89

NBYM
AT 6/2

MANAGEMENT IN CONFIDENCE

MR TURNBULL

cc Sir Robin Butler

FURTHER WORK OF THE EFFICIENCY ADVISER AND EFFICIENCY UNIT

I attach a draft of a letter setting out a remit. This is for information only at this stage, since I would like to wait until after a discussion I am having with Sir Robin Butler et al next week on the prospective programme of reviews of the Civil Service before finalising the draft.

ANGUS FRASER
3 February 1989

DRAFT LETTER FROM ANDREW TURNBULL TO ANGUS FRASER

THE WORK OF THE EFFICIENCY ADVISER AND THE EFFICIENCY UNIT

The Prime Minister discussed with you your tasks and the work programme of the Efficiency Unit.

The Prime Minister emphasised that she continues to attach a high priority to the Civil Service programme for improving management, reducing costs and improving effectiveness, and considers it essential for the Efficiency Unit to continue their work in developing the use of scrutinies to improve the delivery of Government programmes and policies, both within Whitehall and, more widely, throughout the public sector.

The Prime Minister looks forward to continuing her programme of discussions with Ministers on value for money in their departments. She also emphasised the importance she attaches to your annual discussions with Ministers and their Permanent Secretaries about the targets and scrutinies planned for each Department. She agreed that greater emphasis should be put on the development of a coherent departmental strategy for better management within which the use of targets and scrutinies should be an integral part.

The Prime Minister looks to you to represent her interest in securing substantial improvements in the management of the public service. In particular, she would like you to work with Ministers to:

- develop the departmental strategies for better management

- use scrutinies and targets to ensure improvement in the delivery of specific results and services

- look at specific areas of activity within Government which raise questions of management and effectiveness.

In particular, the Prime Minister suggested that the Efficiency Unit should explore the issues of effectiveness, accountability and value for money within the EC which you discussed with her. She agreed that there should be discussion of a programme of reviews of important matters which were common to the Civil Service as a whole and which needed to be addressed as the implications of the Next Steps initiative became clearer. She also agreed that the Unit should look at areas of expenditure where the Government had responsibility for major policy but had little direct control over the delivery of service.

You should report directly to the Prime Minister on all this work and seek her personal involvement wherever you think it necessary. You should also work closely with the Head of the Home Civil Service.

I am copying this minute to the Private Secretaries to Members of the Cabinet, other Ministers in charge of Departments and to Sir Robin Butler.

TG

Can you find date for these — we need ½ hour for Sir A Fraser to brief PM + 1 hour for Minister + PM see the more prescribed

AT 2/2

MR TURNBULL

VALUE FOR MONEY SEMINARS

You asked about the order in which the Value for Money Seminars should be organised for 1989. I would suggest they should be organised in the following sequence with 4-6 weeks between them.

19 July ~~20 April~~ ✓ Home Office (last done on 17 June 1986)

~~16 May~~ ✓ Department of Social Security (last done on 7 January 1987)

14 June ✓ MOD (Procurement Executive) (last done on 21 January 1987)

16 May ~~14 July~~ ✓ Treasury (never done before)

PSA (never done before)

Department of Health (last done on 14 February 1986)

MAFF (last done in two stages - 23 December 1987 and 15 July 1988)

I am sending a copy of this note to Robin Butler.

KATE JENKINS
31 January 1989

(2)

Prime Minister
This seems a step in the right direction
CDP
7/2.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

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

MO 20L

31st January 1989

Dear John,

DEFENCE RESEARCH AGENCY

As part of the "Next Steps" initiative, I have been examining the possibility of establishing the major non-nuclear Research Establishments as an Executive Agency. The two key aims would be to meet UK defence research and project support needs with increased efficiency and value for money by a much sharper customer/supplier relationship, and to introduce better focused and strengthened internal management within the Establishments.

A feasibility study which I commissioned last year identified a need for change in order to put the Establishments on a footing that would provide the structure of incentives, disciplines and powers (including attracting and keeping skilled staff) best suited to giving us maximum value for our expenditure on the defence research and project support we need. Under the new customer/supplier relationship I have in mind the MOD would place work on the Establishments by contract. This would point to their having a trading relationship with their customers in MOD and elsewhere, and progressively having to win orders under the pressure of competition. In parallel they would be given increased delegation and management freedom to organise their business on more commercial lines, better

The Rt Hon John Major MP

able to respond to customers' needs. Indeed without these freedoms, including a flexible and responsive salary structure, it is most unlikely that better value for money would be achieved, and the situation could well be worse than at present.

Following detailed consideration of the report of the feasibility study, which was declared as an efficiency scrutiny, I forwarded a comprehensive Action Plan to Sir Angus Fraser, who has agreed the way ahead I am now suggesting. After discussions at official level with the OMCS, Treasury, the Cabinet Office and the Efficiency Unit I now propose to proceed as outlined below.

The non-nuclear Research Establishments would be formed into a separate and distinct organisation. The core of the Agency would consist of the four major non-nuclear Establishments: the Admiralty Research Establishment, the Royal Aerospace Establishment, the Royal Armament Research and Development Establishment and the Royal Signals and Radar Establishment. Taken together they represent a total of some 12,500 staff, with a direct budget of some £360M annually. The Chemical Defence Establishment, which deals with very specialised work and is closely involved in defence policy, would not be included. The position of the Aeroplane and Armament Experimental Establishment and some other parts of MOD is still under consideration.

I have carefully considered the option of putting the Establishments on the market, but have rejected it for a number of reasons. Firstly, there is a body of extremely sensitive work undertaken by the Establishments, which I am not prepared to see carried out in the private sector. Secondly, there would be major damage to international research collaboration and information exchange programmes, particularly with the United States, if the Establishments were seen as outside government; certain essential

defence programmes rely on a substantial and continuing information flow with the US where we are very much net beneficiaries, and discussions in Washington have shown that the US would not be prepared to pass such information to a privately-owned organisation. Finally the sale of the Establishments would make them vulnerable to acquisition by major defence contractors which would put in jeopardy the availability of impartial technical advice on equipment choices which I regard as essential to competition. I regard these factors as compelling. I do not, however, rule out looking at this again, in whole or part, at a later date when the Agency would have established its credentials. Meanwhile a key management task would be to consider the extent to which existing activities or facilities in the Establishments might be more appropriately provided by the private sector. I also think it is important that, without prejudice to the longer term position, I should make it clear to the staff that the Agency will be in the public sector.

My view at this stage is that the organisation should become an Executive Agency under the Government's "Next Steps" initiative and I intend to work towards this. Much work will need to be done before an Agency could be launched. I propose to take early action to appoint a Chief Executive (Designate) (CE(D)) who would be charged with developing management arrangements for the proposed Agency and preparing the Establishments for agency status in response to MOD requirements. CE(D) would be given immediate managerial charge of the Establishments which would form the Agency, and would participate in the work to drive them forward in the run-up to vesting day, which I envisage for the spring of 1991. In parallel, an MOD Implementation Team would be set up to provide overall coordination of the detailed work and in particular to define the technical, financial and contractual support and structures required at MOD Headquarters to interface with the Agency. Terms of Reference for both the CE(D) and the Implementation Team have been drawn up;

they will take this work forward on the basis of the Action Plan to which I have referred above, amplified by a number of specific points which have been agreed in subsequent discussions between officials.

I propose to make an early announcement of our acceptance of the need for change and our intention to proceed with planning for the creation of the Agency. This will allow detailed work to go ahead, including the selection of the CE(D) (which will be by open competition) and the initiation of consultation with staffs affected. A final decision to proceed, including determination of the precise status of the Agency, would be taken in the light of this further work.

I am copying this letter to the Prime Minister, other OD and E(ST) colleagues, and to Sir Robin Butler, Sir Angus Fraser and Mr Kemp.

Yours ever,

George

George Younger

NEM
30/1

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

30 January 1989

Dear Peter

NEXT STEPS AGENCIES : AMENDMENT OF THE GOVERNMENT TRADING FUNDS ACT 1973

You wrote to Alison Smith on 26 January seeking the Lord President's agreement to the terms of the arranged PQ and Answer announcing the Government's intention to amend the 1973 Act. The Lord President has noted the Chief Secretary's intention to pursue the issue of the use of Votes rather than the NLF for lending in further discussion and on that basis is content for the announcement to go ahead.

I am copying this to Andrew Turnbull at No 10, to Martin Le Jeune in Mr Luce's office and to Trevor Woolley in Sir Robin Butler's office.

Yours sincerely

Steve Catling

STEVE CATLING
Private Secretary

Peter Wanless Esq
aps/The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

GOVT MACH. Kanner pr 29

cc Mrs Sinclair
Thanks. It appears that the MAFF seminar started on 23 Dec 1987 but was interrupted after 3/4 hour. It was resumed on 15 July 1988.
MT 21/1

MR TURNBULL

30 January 1989

VALUE FOR MONEY SEMINAR - MAFF

I was surprised to see from your minute of 26 July that the last MAFF Value for Money Seminar with the Prime Minister took place in 1987.

John MacGregor and Derek Andrews had a flap ~~Value~~ for Money Seminar with the Prime Minister on 15 July last, which I attended. It appeared to be one in the regular series.

PP CAROLYN SINCLAIR

MJ2 CDV

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MISS KATE JENKINS
EFFICIENCY UNIT

PRIME MINISTER'S VALUE FOR MONEY SEMINARS

I have shown the Prime Minister your minute of 25 January. She was generally content with the suggested candidates for seminars in 1989 subject to the following points:

i. She did not wish to see the Lord Chancellor's Department.

ii. The optimal time for seeing the PSA would need to be considered in the light of the steps being taken to transform it into a trading fund.

iii. She felt that MAFF should be brought into the tail end of 1989 or, at the latest, the beginning of 1990.

iv. She did not wish to hold seminars for the territorial departments.

We will be in touch to discuss the precise distribution of these meetings through the year.

Andrew Turnbull
27 January 1989

cc PL

cst.ps/9jm26.1/lets

NBPM
AT 26/1

Treasury Chambers, Parliament Street, SW1P 3AG

Ms Alison Smith
Private Secretary to the Lord President
Lord President's Office
Privy Council Office
Whitehall
London
SW1

26 January 1989

Dear Alison,

NEXT STEPS AGENCIES: AMENDMENT OF THE GOVERNMENT TRADING FUNDS ACT 1973

Andrew Turnbull's letter of 23 January records the Prime Minister's agreement to the proposal in the Chief Secretary's minute of 20 December to amend this Act. The proposal has been supported by other Ministers. The Chief Secretary would therefore like to make an early announcement of the Government's intention to legislate so that Mr Luce can refer to this development when he gives his progress report on Next Steps to the House on 1 February. The Chief Secretary would therefore be grateful to know if the Lord President is content with the terms of the attached arranged PQ and answer.

The Lord President may wish to note that the reservations that some Ministers expressed about the use of Votes rather than the NLF for lending to agencies providing statutory services will be pursued in further discussion prior to the preparation of the Bill instructions. This issue need not hold up the Chief Secretary's announcement.

So that the attached PQ can be answered in time for Mr Luce's statement, it would be helpful please to have the Lord President's very early agreement.

I am copying this letter to Andrew Turnbull at No. 10, Martin Le Jeune in Mr Luce's office and Trevor Woolley in Sir Robin Butler's office.

Yours,

Peter Wanless

PETER WANLESS
Assistant Private Secretary

1008/1

DRAFT:

ARRANGED PQ FOR WRITTEN ANSWER BY THE CHIEF SECRETARY

QUESTION

To ask Mr Chancellor of the Exchequer how far he considers that the provisions of the Government Trading Funds Act 1973 will be adequate for "Next Steps" Executive Agencies; and if he will make a statement.

ANSWER

Trading funds can already be created for agencies which meet the requirements in the Government Trading Funds Act 1973. However, some bodies including those which are directed by statute to provide a service and where the fees are fixed by regulation, are at present outside the scope of the 1973 Act. Some agencies which are at present outside its scope would be able to operate more efficiently under the more commercial regime. We therefore propose to bring forward legislation at the earliest opportunity so that trading or "Agency" funds will be available in such cases. This change would add significantly to the range of financial regimes available to agencies and make a significant contribution to the implementation of the Goverment's "Next Steps" policy.

Govt Mach - Rayne Pr 29.

PRIME MINISTER

VALUE FOR MONEY SEMINARS WITH MINISTERS AND PERMANENT SECRETARIES

I attach the Efficiency Unit's suggested schedule for VFM seminars over the next year. Also attached is the schedule back to 1986.

I am broadly content with the selection subject to the following points:

i. I do not see any difficulty in principle in a meeting on the Lord Chancellor's Department with the Lord Chancellor there personally though, given the work which the Green Paper will create, it would be better towards the end of the year. I doubt if the Lord Chancellor would regard it as inappropriate to be there in person as he seems to take the management of the judicial system seriously and is capable of separating that responsibility from his position at the head of the legal profession.

I think we should forget the Lord Chancellor, dependent for the time being

ii. PSA is in the process of transformation into a trading fund. We need to consider carefully the best time to intervene.

iii. MAFF was last seen in December 1987. You might want to bring it into the end of 1989.

There is the separate question of whether you want to see the territorial departments. In principle there should be no "no go" areas; but in practice the pay off may be limited as the expenditure is small and is to a large extent dictated by national policies.

Other than the L.C. depts

Agree proposed schedule (subject to precise timing of PSA? Yes

Agree to bring MAFF forward? Yes

Do you wish to include the territories?

No

AT

Andrew Turnbull

26 January 1989

MJ2DDV

MANAGEMENT IN CONFIDENCE

FILE

PM

SUBJECT
cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ANGUS FRASER

FUTURE WORK OF EFFICIENCY ADVISER AND EFFICIENCY UNIT

You discussed with the Prime Minister today your remit and the work programme of the Efficiency Unit. You hoped that the Prime Minister would continue to hold regular Value for Money seminars with Ministers and Permanent Secretaries and try to ensure that each Department was seen about once every two years. The Prime Minister readily agreed. You said the Efficiency Unit would shortly be putting forward proposals for the Departments to be seen in 1989. The Prime Minister drew attention to the management changes that were required in the Department of Health and she urged the Efficiency Unit to familiarise themselves with the issues in preparation for a meeting with the Department later in the year. It was essential to secure a clear distinction between policy and operation, and a clear statement of the way in which operational matters were to be delegated from the management executive to regions and onward down to districts and hospitals. The Prime Minister also agreed that the Efficiency Unit should continue its programme of discussions with Ministers and Permanent Secretaries on their Department's targets. She noted your concern that too often targets were simply "bolt on" additions which were not developed as an integral part of the management system.

The discussion then turned to the future of the Civil Service. Sir Robin Ibbs had proposed a major study on the future direction of the Civil Service but Sir Robin Butler had counselled against this as it could distract attention from the successful implementation of the Next Steps initiative. The alternative was to draw up a programme of important cross-Departmental issues and then to study them one by one, eg relocation, recruitment, pay flexibility and career planning (it was still the case that high fliers had little practical experience as opposed to policy work at the headquarters of the Department). The Prime Minister agreed that this approach was preferable.

You reported that the Efficiency Unit had been studying the extent to which the European Commission was pursuing better value for money. The results were discouraging. Its prime motivation was to pass legislation, seek compliance, with access to the courts if necessary. There were no procedures for the evaluation of policies and little concern for management. Division of responsibility between different organisations within the Community and between the member

KK

states was a recipe for lack of accountability. You suggested that the UK might propose the establishment within the Commission of an Efficiency Unit. The Prime Minister expressed interest in this (her attention had recently been drawn to the existence of very large-scale fraud in the Community). One possibility would be to launch an initiative at the next European Council. This would be a useful counterweight to the visionary proposals which the President of the Commission was likely to bring forward. You agreed to work up a paper setting out such an initiative.

The Prime Minister noted that the Efficiency Unit would be looking at areas of expenditure where the Government had some policy responsibility but little direct control over planning, eg local authorities and NDPBs.

Following the corresponding meeting with your predecessor, a letter was sent to you from No.10, with copies to Departments, setting out the remit of the Efficiency Unit. I would be grateful if you could provide a draft of such a letter.

I am copying this minute to Sir Robin Butler.

AT

ANDREW TURNBULL

25 January 1989

MR TURNBULL

PRIME MINISTER'S VALUE FOR MONEY SEMINARS

We talked about possible candidates for the next round of VFM seminars. With the larger departments we are now moving into a fairly regular two yearly routine which seems about the right length. There are however a few departments who have not been done for some time or in some cases at all. Could I suggest therefore for 1989:

Department of Health (around September)
The Department of Social Security
MOD (PE)
PSA
Treasury
Lord Chancellor's Department
The Home Office

It might also be helpful to look ahead to possible candidates for 1990. Our present view is that these should include:

Customs and Excise
Department of Employment
Department of Transport
Department of Trade and Industry
Inland Revenue
Department of the Environment
MAFF

The Prime Minister did not wish to see the Lord Chancellor's Department this year but there is a great deal going on, particularly in the Courts service and on the legal aid front. If the Permanent Secretary were to be asked to make the presentation (if it were inappropriate for the Lord Chancellor to do so) I think the Department would welcome the opportunity to explain what they are trying to do.

The territorial Departments have had only one value for money seminar between them - the Scottish Office in 1985. I think it would give all of them a useful boost if it were possible to arrange a series of sessions reasonably close together when the Prime Minister would have opportunity to compare the performance of the three territorial Departments.

We also have outstanding from the last DES seminar the question of a separate value for money seminar on science policy.

KATE JENKINS
25 January 1989

LIST OF VFM SEMINARS

1986

DOE	11 Feb	Kenneth Baker
DHSS (NHS)	14 Feb	Norman Fowler
Home Office	17 June	Douglas Hurd

1987

DHSS (SS)	7 Jan	Norman Fowler
MOD(PE)	21 Jan	George Younger
DES	26 Jan	Kenneth Baker
C&E	2 Feb	Peter Brooke
DTp	9 Dec	Paul Channon
MAFF	23 Dec	John MacGregor (not completed

1988

IR	13 Jan	Norman Lamont
MOD (non PE)	27 Jan	George Younger
DE	24 Feb	Norman Fowler
DTI	27 Apr	Lord Young ← MAFF seminar rescheduled
DOE	4 Oct	Nicholas Ridley 15/7
FCO	28 Nov	Geoffrey Howe

1989

DES	11 Jan	Kenneth Baker

0550A

CCPD.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for ~~Social Security~~ Health

1. 8A
2 NBPM
BS 24/1

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

24 January 1989

Dear John,

NEXT STEPS AGENCIES: AMENDMENT OF GOVERNMENT TRADING FUNDS ACT 1973

FILE ON BCUM WITHAT?

Thank you for copying me your minute of ~~20~~ December 1988.

I agree that there must be activities, which although regulatory are demand-led, financed in full from receipts, and which will be able to operate more efficiently under the commercial accounting framework of a trading fund. I therefore welcome your proposal to extend the Act's enabling powers to agencies which satisfy the present criteria in all respects except that they exercise a monopoly and are not therefore regarded legally as trading in an open market.

Your other proposal that the borrowing should be financed from the Votes needs, I think, further work by officials.

I am copying this letter to the Prime Minister, E(A) and Cabinet colleagues, Richard Luce, Sir Robin Butler and Sir Angus Fraser.

Yours ever,

KENNETH CLARKE

GOVT MACH: Rainer PT29

24.1.

cc Ktup

PRIME MINISTER

MEETING WITH SIR ANGUS FRASER

You have already seen the papers for this. You commented that

> "Our advice to Kenneth Baker on specific targets was timely - last week there was an article in The Times pointing out that French targets were far more ambitious than ours."

I attach copies of press cuttings on this. Certainly their targets are ambitious, e.g. doubling the proportion of school children doing the Bac from 40 per cent to 80 per cent and increasing the number of teachers. But some aspects of the way they they are going about it seem suspect to me:

i) Is the emphasis on reducing class size a recipe for dilution of quality?

ii) There is an emphasis on quantitative targets rather than qualitative ones.

iii) The reference to "developing their own personalities" is an echo of our "child centred education".

iv) Group teaching can lead to a lack of authority by teachers.

All this has the hallmarks of plans drawn up by the producers.

AT

(ANDREW TURNBULL)

24 January 1989

DCAASE

Ch Ch
LO4AYE

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

23 January 1989

NEXT STEPS

The Prime Minister has seen Mr. Luce's minute of 20 January and endorses his proposals for the series of meetings with Departmental Ministers as a way of sustaining Ministerial commitment to the Next Steps initiative.

I am copying this minute to Malcolm Buckler (Office of the Paymaster General) and to Sir Robin Butler and Peter Kemp.

ANDREW TURNBULL

Martin Le Jeune,
Office of the Minister of State,
Privy Council Office.

File Kb

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

23 January 1989

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

The Prime Minister has seen the Chief Secretary's minute of 20 December and supports the proposal to extend the Trading Funds Act so that the Trading Fund model can be applied to a wider group of agencies. She agreed with the suggestion that where an agency fund is being set up the option of privatisation should be considered first. She is content for the legislative implications to be considered in QL.

I am copying this letter to the Private Secretaries to members of Cabinet, to Martin Le Jeune (Office of the Minister of State, Privy Council Office), Myles Wickstead (Overseas Development Administration) and to Sir Robin Butler, Sir Angus Fraser and Peter Kemp.

ANDREW TURNBULL

Miss Carys Evans,
Chief Secretary's Office,
H.M. Treasury.

Kb

MANAGEMENT IN CONFIDENCE

file this

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MR. KEMP
H.M. TREASURY

NEXT STEPS

The Prime Minister has seen your second report as Project Manager. She welcomes the progress that is being made, both in establishing agencies and in resolving general issues relating to them. I have commented separately recording her agreement to the principle of establishing agency funds. She noted the remarks in paragraph 7 of the report which pointed out that the success of the initiative lies not only with the agencies themselves but also with the willingness of the parent Department to establish a more hands-off approach.

The Prime Minister was also content with the draft of the written statement which Mr. Luce is to make.

I am copying this minute to the Private Secretaries to members of the Cabinet, the Attorney General, the Minister of State, Privy Council Office, the Minister for Overseas Development and to Sir Angus Fraser.

ANDREW TURNBULL

23 January 1989

KL

STATEMENT FOR MINISTER OF STATE TO MAKE (WRITTEN)

NEXT STEPS

The Next Steps initiative is making good progress. The responsible Ministers have now established the first three Agencies, and another 30 (plus 3 in the Northern Ireland Civil Service) have been announced as candidates. A list of these follows; together they cover nearly 200,000 people, or about 1/3rd of the Civil Service. I expect at least 4 more to be set up before the Summer Recess; these are likely to include the Resettlement Units, the Employment Service, the QE II Conference Centre and, in my own Department, the Civil Service College. The Project Manager is continuing his review of Departments' activities, against the Government's decision that to the greatest extent practicable the executive functions of Government should be carried out by Agencies.

2. As the House knows the purpose of Next Steps is to improve management in the Civil Service. It enables the Minister responsible for each Agency to define more clearly the objectives and tasks required for the execution of policies, and the resources within which this must be done. People in Agencies will be better able to tailor management structures and practices to the specific needs of their work; will have better defined jobs and objectives, and greater personal responsibility and accountability for achieving them. The aim is better value for money and better service to the public.

3. As the Government said in its reply to the TCSC in November, it shares the Committee's view that decentralised Agencies offer scope for delegating more responsibility to managers for operational matters. The actions we have already taken since the announcement of the initiative by my rt hon. Friend the Prime Minister demonstrate the importance we attach to ensuring that this should take place to the greatest extent possible, within a framework governing the Agency's operations. On 10 November my rt hon. Friend the Financial Secretary to the Treasury announced,

following a recommendation of the TCSC and after consultation with the PAC, that Agency Chief Executives would take on significant Accounting Officer responsibilities. [In a further development, aimed at permitting a more commercial regime in suitable cases, my rt hon. Friend the Chief Secretary to the Treasury has today announced that the Government will seek legislation at the earliest opportunity to amend the Government Trading Funds Act 1973 to apply also to Agencies through the medium of Agency Funds.]

4. The action plan to secure improved management training which the Project Manager has drawn up is now being implemented in Departments, and good progress is being made. This is helped by the £1 million Challenge Funding Scheme which we announced in November and which is now coming into effect.

PRIME MINISTER

NEXT STEPS

There are three sets of papers:

(i) Minute from Richard Luce: agree his proposals for maintaining Ministerial involvement and commitment to next steps?

(ii) Establishment of agency funds: Paul's minute seeks agreement to the Chief Secretary's proposal to extend the Trading Funds Act so that the trading funds model can be ~~explained~~ applied to a wider group of agencies that are not trading in the strict legal sense, eg, regulatory agencies that cover their costs by charging for licences. Agree to this proposal subject to requirement that privatisation option be examined first? Yes mt

(iii) Peter Kemp's second report as Project Manager. Agree to:

- welcome progress both in establishing agencies and resolving issues; Yes mt

- note prospects for next six months. Yes

Paragraph 7 of the full report makes an important point; agencies will never flourish if the parent Departments are not prepared to let go.

Agreed mt

AT

ANDREW TURNBULL

20 January 1989

PM2AKG

MINISTER OF STATE, PRIVY COUNCIL OFFICE

C89/307

PRIME MINISTER

NEXT STEPS

The Project Manager for Next Steps, Peter Kemp, has sent to Andrew Turnbull his second report on the progress of this initiative. I am very content with this report, and I think the initiative is going well.

It is in my view rightly seen as a most important development which makes a real attempt to tackle some of the problems of the bureaucracy and fit it better for the 1990s. I am sure we want to keep up this interest, and deliver on the promise which Next Steps holds.

One important ingredient in carrying these reforms through is continued evidence of Ministerial commitment. The fact that you made the original announcement in February 1988 personally to the House, and that you joined with me in presenting a reply to the TCSC in the Autumn, was very effective. If you agree I shall make a statement to the House in the next week or so, on the lines of the draft attached to the Project Manager's submission. But I think there may be more to be done in involving Departmental Ministers in the initiative, given what seems to me its increasing political importance. I propose, therefore, from time to time to bring together non-Cabinet Ministers from a variety of Departments who have an interest in Next Steps to fill them in on progress and encourage their personal involvement in what we are doing. I would invite Robin Butler and Peter Kemp to join us. I think that continued stimulation of the personal interest and involvement of some of our Ministerial colleagues would be a very useful supplement to the steps already being taken to make sure we carry these reforms through properly.

I am copying this minute to Peter Brooke, to Sir Robin Butler and to Peter Kemp.

RL

RICHARD LUCE

20 January 1989

GOVT MECH. PART 29.

PRIME MINISTER

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

The Chief Secretary's minute of 20 December (Flag A) seeks broad approval for legislation to extend the Government Trading Funds Act 1973 so that a wider range of Next Steps agencies are eligible to have financial regimes modelled on trading funds.

The proposals are:

> To extend the possibility of trading funds to certain bodies providing services under a statutory obligation and with regulated prices. The main amendment currently envisaged is to include agencies that exercise a monopoly and are not therefore regarded legally as trading in an open market.
>
> To switch the borrowing of certain agencies from the National Loans Fund to borrowing financed from Votes.

A number of other colleagues have commented. The main points raised are:

> Norman Fowler stresses the importance of ensuring that, before turning trading operations into agencies, Departments should ensure that they cannot be privatised.
>
> Messrs. Parkinson and MacGregor have questioned the proposal to switch borrowing on to Votes and suggested this needs to be looked at further. - Presumably it is because of the nature of the work? MT
>
> Mr. MacGregor proposes consideration to extend the amendments to cover agencies drawing finance partly from the private sector and partly from Departments on an arms-length basis.

None of these points raise fundamental objections to the Chief Secretary's proposal.

Content:

To endorse the proposal by the Chief Secretary to develop proposals following further detailed discussions with Departments? Yes mt

To endorse Mr. Fowler's point that wherever possible Departments should think in terms of privatising activities?

Yes mt

Recc.

PAUL GRAY
20 JANUARY 1989

ICB/P

PRIME MINISTER

FUTURE WORK OF EFFICIENCY ADVISER AND EFFICIENCY UNIT

Sir Angus Fraser has been in post for about three months and, having got the feel of the job, is ready to talk to you about his remit.

(i) He is proposing no major changes to the scrutiny technique or to your seminars with Ministers and Permanent Secretaries.

(ii) In his meetings with Ministers on meeting targets, he finds that the latter are all to often seen as a "bolt-on" addition. He rightly wants these to grow out of the management process. Only in this way will they be taken seriously and will performance be measured against target.

(iii) On the Civil Service there appears to be a difference of view. Sir Angus seems to want a wide-ranging report on whither the Civil Service but Sir Robin feels it is too early. Such an initiative would detract from the establishment of agencies; he prefers to pick off issues one by one. I think Sir Robin is right on this. There is a tendency for the centre to feed in new initiatives before departments have been able to digest earlier ones. This leads to inadequate attention being paid to implementation and it reinforces the view that policy (thinking up new ideas) is more important than management (implementing agreed policies).

(iv) Sir Angus suggests an examination of the management of expenditure over which departments feel they have little direct control. This may be worthwhile in relation to quangos and NDPBs but questionable for local authories and nationalised industries. For local authorities we

are in the middle of implementing a major restructuring of finance that will give central government direct control over 75% of local authorities' income (RSG plus business rates) and which will harness voter pressure over the remaining 25% (the community charge). At the level of individual services big changes are in train e.g. housing and education with community care to come. The next step, on which I will be minuting you shortly, will be to look at the structure of local government. For nationalised industries the emphasis should be on getting them out of the public sector rather than refining controls on those that remain in it.

(v) A scrutiny of the European Commission could be valuable but Sir Angus should seek advice from the European Secretariat in the Cabinet Office and possibly, informally, from David Williamson, on how best to go about it.

Following the meeting Sir Angus will submit a draft letter describing his remit which can be circulated to departments.

AT

(ANDREW TURNBULL

20 January 1989

DCAARY

N.B. On advice to Kenneth Baker on spending targets was timely - last week there was an article in The Times pointing out that French Targets were far more ambitious than ours. AT

MANAGEMENT IN CONFIDENCE

FROM: E P KEMP
DATE: 19 January 1989

1. SIR ROBIN BUTLER

2. MR TURNBULL

NEXT STEPS

I attach my second report as Project Manager.

2. Since the Prime Minister's announcement on 18 February we have :-

- Established three Executive Agencies employing 5,700 and announced as candidates 30 more, covering nearly 200,000 civil servants, or about 1/3rd of the total, plus 3 in the Northern Ireland Civil Service; and scrutinised most of the rest of Departments' activities. Some Departments are more forward than others, and it is important to keep up the pressure on those who are behind.

See Flag A

- Worked at a number of across the board issues. In particular decisions have been taken relating to the (1) accountability of Chief Executives to Parliament, and (2) Ministers are considering positively the establishment of "Agency Funds" to permit sharper financial and commercial performance. There has been further work on pay, personnel, financial etc flexibilities and their delegation to line management.

See separate note from PR Ron Agency Funds

- Put in hand a new training action programme.

- Worked to explain the Next Steps initiative to staff and the public, and to meet and encourage the interest both here and overseas that the initiative has aroused. Following the TCSC examination last year, the PAC are expected to look at progress in the course of 1989.

3. My programme for the next 6 months includes the following :-

- The actual setting up of Agencies must be a priority aim. Of the named candidates I expect that at least 4 more Agencies will be set up by mid-1989, and about 18 more by April 1990, making then a total of 25 covering some 75,000 staff.

- There will be continued examination with Departments of their activities, with special emphasis on areas where difficulties are seen.

- The elements necessary to improve performance and service to the public will be studied and refined, so that Agency Framework Documents are soundly based and durable, and objectives and responsibilities properly defined.

- As part of this work will continue on across the board issues, including the scope for giving further personal responsibilities to managers and the development of pay, personnel and financial flexibilities where change is needed.

- The training action plan will be pressed forward and developed and the Challenge Funding Scheme fully launched.

- Agencies are to be given stretching performance targets. A programme to evaluate the benefits of the initiative will be introduced, and appraisal made of its effects so far.

4. The initiative is now firmly established, both inside and outside Government. Its wide potential and implications are now more clearly realised, and it has struck a chord with the public and many civil servants as the right approach for the 1990s. It is important to maintain this present momentum, but at the same time to ensure that we achieve real change, not just "relabelling". Some areas and Departments still present more problems than others, but I expect good progress in the next 6 months, towards eventual delivery of the full benefits of the decisions of February

1988. At my meeting with the Prime Minister on 28 November she confirmed the importance she attaches to early progress on implementing Next Steps, and I shall continue to press for this.

5. It is proposed that the Minister of State, Privy Council Office, should make a statement to the House before the end of January on the lines of the draft attached.

6. I am copying this minute and the attachments to the Private Secretaries of Members of the Cabinet, the Attorney General, the Minister of State Privy Council Office, the Minister for Overseas Development and Sir Angus Fraser.

E.P.K.

E P KEMP

STATEMENT FOR MINISTER OF STATE TO MAKE (WRITTEN)

NEXT STEPS

The Next Steps initiative is making good progress. The responsible Ministers have now established the first three Agencies, and another 30 (plus 3 in the Northern Ireland Civil Service) have been announced as candidates. A list of these follows; together they cover nearly 200,000 people, or about 1/3rd of the Civil Service. I expect at least 4 more to be set up before the Summer Recess; these are likely to include the Resettlement Units, the Employment Service, the QE II Conference Centre and, in my own Department, the Civil Service College. The Project Manager is continuing his review of Departments' activities, against the Government's decision that to the greatest extent practicable the executive functions of Government should be carried out by Agencies.

2. As the House knows the purpose of Next Steps is to improve management in the Civil Service. It enables the Minister responsible for each Agency to define more clearly the objectives and tasks required for the execution of policies, and the resources within which this must be done. People in Agencies will be better able to tailor management structures and practices to the specific needs of their work; will have better defined jobs and objectives, and greater personal responsibility and accountability for achieving them. The aim is better value for money and better service to the public.

3. As the Government said in its reply to the TCSC in November, it shares the Committee's view that decentralised Agencies offer scope for delegating more responsibility to managers for operational matters. The actions we have already taken since the announcement of the initiative by my rt hon. Friend the Prime Minister demonstrate the importance we attach to ensuring that this should take place to the greatest extent possible, within a framework governing the Agency's operations. On 10 November my rt hon. Friend the Financial Secretary to the Treasury announced,

following a recommendation of the TCSC and after consultation with the PAC, that Agency Chief Executives would take on significant Accounting Officer responsibilities. [In a further development, aimed at permitting a more commercial regime in suitable cases, my rt hon. Friend the Chief Secretary to the Treasury has today announced that the Government will seek legislation at the earliest opportunity to amend the Government Trading Funds Act 1973 to apply also to Agencies through the medium of Agency Funds.]

4. The action plan to secure improved management training which the Project Manager has drawn up is now being implemented in Departments, and good progress is being made. This is helped by the £1 million Challenge Funding Scheme which we announced in November and which is now coming into effect.

MANAGEMENT IN CONFIDENCE

NEXT STEPS

PROJECT MANAGER'S WINTER REPORT

Report Pages 1-7

Annex 1 Prime Minister's Statement on Next Steps of 18 February 1988

Annex 2 Agencies set up, and Candidates announced

Annex 3 Summary of Possible Agencies

Annex 4 Note on Improving Performance

Annex 5 Prime Minister's Statement on Privatisation of 24 October 1988

JANUARY 1989

MANAGEMENT IN CONFIDENCE

NEXT STEPS

PROJECT MANAGER'S WINTER REPORT

Introduction

On 14 July I submitted my first report as Project Manager for the Next Steps initiative. This report describes what has been achieved since then, the present position and the forward prospects. It follows on from my first report, and the oral report I made to the Prime Minister on 28 November. For convenience the Prime Minister's statement of 18 February 1988, which set out the Government's decisions which are now being implemented, is at Annex 1.

2. We have made good progress. 3 Executive Agencies have now been established, and 30 more candidates have been announced plus 3 in the Northern Ireland Civil Service, and 43 are under internal consideration within Departments. Work is in hand on these, and of the named candidates I expect at least 4 more Agencies to be set up in the next 6 months, and about 18 by April 1990, making 25 in all. I have now reviewed with Departments most of their activities, and other possibilities are coming forward. Some important issues have been resolved with the Treasury and others and the training action plan is on course.

3. There is considerable wider interest in Next Steps in this country and abroad, which I have encouraged. The TCSC has reported supportively. Generally there is wide support for the ideas behind Next Steps, and some of those in the media and elsewhere who were sceptical when the initiative was first announced have changed their tune. The full potential of the Government's decisions following the Efficiency Unit's Report by way of bringing about a more efficient and effective delivery of Government services, within available resources, is now beginning to be appreciated. The Prime Minister has confirmed the importance she attaches to early progress on implementing Next Steps.

4. As I said in my Summer Report Next Steps is about the wider improvement of management throughout the whole of Government not just about establishing Agencies. But Agencies and the creation of proper relationships between them and Ministers are rightly seen as the way to deliver these improvements over a wide range of Civil Service activities. Next Steps is wholly consistent with, and a logical development of, the Financial Management Initiative. Where Agencies are created, FMI objectives will be pursued by and through the Agency route, though this involves the full range of management issues. Where Agencies are not appropriate, or until they can be set up, pressure for improved efficiency will of course continue through FMI policies as they exist and may be developed.

Agencies and Departments

5. I said in my Summer Report that Agencies would come in many different forms, and that the concept is one of a new approach, not of some new and standard piece of machinery or "mould". Work in the last six months has confirmed this. The three Agencies that have been set up and 30 further named candidates (plus 3 in the Northern Ireland Civil Service) together cover nearly 200,000 people and a very wide range of activities. They are set out at Annex 2. Target dates for the launching of the Agencies have been agreed in most cases, and the rest are under discussion. Many other activities are at earlier stages and have also been identified as possibles, as summarised in Annex 3.

6. In my previous report I mentioned the MOD and the Inland Revenue and Customs and Excise as Departments presenting special consideration. MOD has since identified a number of further possibilities for Agency status. In addition, MOD has launched a major management reform programme involving a new budgeting system, improved management policy, objective setting and performance review, and management information systems. This "New Management Strategy for Defence" will apply right across defence including the front line. It lays the essential foundations for implementing Next Steps and we are now exploring with them the elements that will need to be put in place to apply the full Next Steps approach as widely as possible in defence. The Inland Revenue and Customs and Excise both have extensive management plans designed to improve the efficiency and quality of their services to taxpayers and to secure continuing improvements in value for

money on Next Steps lines. We are in constructive discussion with both Revenue Departments about how satisfying Next Steps can help them to secure further progress.

7. But it is not sufficient to look solely at the activities to be established as Agencies - the "contractor"; where an Agency is part of a Department it is necessary to look at the Department's position in its various roles. It is important that the Department learns to take a hands off approach so far as matters which are properly the responsibility of the Agency go, while at the same time retaining the capacity to be an "intelligent customer" to carry out its role under the framework document, and to advise the responsible Minister appropriately. This should not necessarily require more staff, but rather a clarification and re-orientation of functions. This will be helped by the new Accounting Officer arrangements but it depends crucially on Departments letting the Agency get on with it, in accordance with clear definitions of the respective roles which both sides keep to.

8. Work so far has tended to concentrate on activities where the Agency unit is within and part of an existing Department. But we are seeing areas where the sensible unit constitutes the whole of the Department, which although often small is responsible directly to a Minister. Next Steps and its disciplines certainly apply to such activities. But while many of the same issues arise here as for potential Agencies which are part of a Department, there will be differences eg in the areas of control and accountability vis a vis the responsible Minister, and I shall be following this up in the next 6 months.

Progress

9. Identifying and announcing activities as candidates for Executive Agencies though clearly vital, is not enough. A priority now must be to develop and progress these, and ensure that they are launched as Agencies on the dates planned on a sound basis which provides for progressive and monitored improvements in performance. This can take time, and sometimes longer than was originally expected, but this is preferable to launching an Agency on an unsound and unprepared basis. However it is important to keep to targets as far as possible, and I shall be seeking to establish

that all concerned work together so that realistic target dates are set; and that systems are in place which deliver them.

10. Looking at the initiative more generally, progress with Departments has been good so far although in a few cases it remains disappointing, as the Prime Minister noted at our meeting on 28 November. My continuing review of Departments activities confirms again the personal prediction I made in front of the TCSC in May that in 10 years I would expect about three quarters of the Civil Service to be operating as Agencies. Substantial progress should have been made towards this by 1992. The precise pace of change depends on a number of factors; some Agencies may present more problems than those set up so far, and setting up Agencies properly often represents a considerable task for the Department concerned. On the other hand our early experience and the steps now being taken to resolve some of the across the board issues should be helpful in maintaining momentum.

Improved performance

11. At the heart of Next Steps lies improved performance through better management. Performance measures, financial and non-financial, are being given to Agencies and these will be monitored regularly. In some cases better management should lead to improvements in the quality of service; in others lower costs; in most cases both. The first three Agencies are being tasked to achieve additional efficiency targets as a result of becoming an Agency, improving over time. Similar demands will be made of all Agencies. We are devising ways of evaluating the initiative overall but the key measures will be the gains in service quality and efficiency that can be demonstrated after Agencies are established and their general impact on the effectiveness of Government business.

12. Many elements enter into the improving of performance. But the important thing is that people in Departments and Agencies should think positively for themselves how best to make their Agency candidates more efficient and effective, against their given objectives. Some of the resulting ideas will involve changes already within their control, and

others will require agreement or action elsewhere in the Department or at the centre. But I believe that what matters is that people should start from a clean sheet.

13. In the last 6 months work has been done on a number of across the board issues bearing on improved performance. In particular decisions have been taken relating to the accountability of Chief Executives to Parliament and proposals formulated by Ministers for the establishment of Agency Funds. These and work in other areas including flexibilities and delegations referred to in my Summer Report, are discussed in Annex 4.

Better training

14. An essential ingredient in the delivery of improved performance is better training, as the Prime Minister recognised in her statement of 18 February. Next Steps calls for civil servants to become better managers and to acquire entrepreneurial and service skills. Managers - not just trainers - must recognise its importance. Training has sometimes been a cinderella, but there are signs that it is coming in from the cold. Results from Civil Service College courses, and the Top Management Programme, are encouraging and the £1m Challenge Funding Scheme now being introduced, and Departments signing up on the industry led Management Charter Initiative, are all helpful.

15. 1989 will see the first results from Department's reviews of how their training measures up to the needs of Next Steps. There are encouraging signs already that Departments are beginning to target their management training more closely on what it takes to do the job better, and are making progress on integrating training with operations, and with personnel and career management.

Privatisation

16. The Government's privatisation policies continue, and their relationship to the Government's Next Steps policies was made clear by the Prime Minister in October in a written Answer, attached at Annex 5. It is important that the process of examination for privatisation should

be thorough, but also swift. Agencies while they remain in the Civil Service are subject to contracting-out and market testing policies, as well as other general policies such as relocation.

The future Civil Service more broadly

17. In my Summer Report I sketched out a possible picture of the Civil Service in the 1990s, built on Next Steps and other initiatives, representing a more "federal" organisation of discrete units more independently and tightly tasked, resourced and empowered to deliver services against tight objectives, within a uniting framework set by the Government as their common employer. Work in the last 6 months, and the public debate which Next Steps has aroused shows that this is indeed the likely way forward.

18. In particular, and falling out of my work on Next Steps, it is useful to look at activities by way of nature and type. Government activities are far too diverse and complex to be categorised satisfactorily in any simple way, but distinctions can be made, for instance, between straightforward service delivery operations, quasi traders, regulatory activities, and pure administration - even though many units are engaged in more than one. None of them are off limits so far as Next Steps goes, of course. But in considering the appropriate structures for such activities for the future, and indeed the Civil Service longer-term, an approach by function may prove profitable. And an approach by function has other more immediate benefits; not only can it help in facilitating exchanges and ideas and experiences between one Department and another so as to avoid the risk of duplicating work, but it can lead to the possibilities of positive "added value" where cross Departmental activities are looked at together. An example of this is the application of the Agency approach to Civil Research Establishments in different Departments.

The next six months

19. The next 6 months promises to be as busy as the last. It is my objective to continue our review of Departments, to identify future Agency candidates, to progress candidates that have been identified against launched target dates, and to establish 4 new Agencies. Particular attention will

be paid to the way Departments organise themselves to carry out their various roles faced with their Agency or Agencies as "contractor". We shall continue to lay emphasis on the setting of demanding performance objectives for the Agencies to be set up, and at how central systems can be adopted, and flexibility and delegation down the line introduced, to give the best chance of delivering these objectives. The training programme will be pursued vigorously. Finally we are working on a programme to evaluate the initiative, and by the time I come to my next report in the Summer we shall have some indications of the benefits of the initiative so far.

E P KEMP
NEXT STEPS PROJECT MANAGER
JANUARY 1989

ANNEX 1

18 February 1988

Civil Service Management

3.30 pm

The Prime Minister (Mrs. Margaret Thatcher): With permission, Mr. Speaker, I should like to make a statement on management in the Civil Service.

I asked the efficiency unit to report to me on the progress of management reforms in the Civil Service. It has produced a report, "Improving Management in Government: The Next Steps". The report finds that many Civil Service managers want to see further changes to give more room and flexibility for the exercise of personal responsibility. The report recommends, first, that 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. He would be responsible for management within a framework of policy objectives and resources set by the responsible Minister, in consultation with the Treasury; it recommends, second, that the Government should commit themselves to a progressive programme for attaining this objective; third, that staff should be properly trained and prepared for management of the delivery of services whether within or outside central Government; and, fourth, that a "project manager" at a senior level should ensure that the programme of change takes place.

The Government have accepted these four recommendations, which will set the direction for further development of management reform in the Civil Service. Each agency will be accountable to a 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. The Government will develop a continuing programme for establishing agencies, applying progressively the lessons of the experience gained.

The Civil Service unions will be consulted about the setting up of particular agencies. They will also be consulted if any change in terms and conditions of civil servants is contemplated.

The centre of the Civil Service must be organised in a way which is helpful to bringing about change. A permanent secretary in the Office of the Minister for the Civil Service will be responsible, through the Head of the Home Civil Service, to me for managing the process of change needed to implement the recommendations.

I have placed copies of the efficiency unit's report, together with a list of executive functions that appear to be promising candidates as initial agencies, in the Library and copies are available in the Vote Office.

ANNEX 2

EXECUTIVE AGENCIES ESTABLISHED

Vehicle Inspectorate	1,600
Companies House	1,100
Her Majesty's Stationery Office	3,000

EXECUTIVE AGENCY CANDIDATES ANNOUNCED

Building Research Establishment	700
Business Statistics Office	700
Civil Service College	200
Civil Service Occupational Health Service	150
Crown Suppliers Fuel Branch	30
Defence Non-Nuclear Research Establishments	15,000
Department of Registers of Scotland	900
Driver and Vehicle Licensing Directorate	5,400
Driver Testing and Training	2,000
Employment Service	41,000
Historic Buildings and Monuments Directorate, Scottish Office	650
Historic Royal Palaces	300
Intervention Board for Agricultural Produce	1,000
Insolvency Service	1,500
Laboratory of the Government Chemist	350
Land Registry	8,250
Meteorological Office	2,500
National Physical Laboratory	850
National Weights and Measures Laboratory	50
Passport Department	1,000
Patent Office	1,000
Planning Inspectorate	500
QEII Conference Centre	60
Radiocommunications Division, DTI	500
Resettlement Units	600
Royal Parks	600
Social Security Operations	87,000
Training Agency	12,000
Vehicle Component Approval Division, DTp	70
Warren Springs Laboratory	300
Northern Ireland Civil Service:	
Employment and Training Services, Agricultural Research Establishments, Social Security Operations	6,000

* **Target 1.4.88 figures rounded;** current staff in post figures may differ

ANNEX 3

SUMMARY OF POSSIBLE AGENCIES

		Total
Set up	Agencies	3
	Numbers (1)	6,000
Announced Candidates (2)		
	Agencies (3)	30
	Numbers	185,000
Under consideration (4)		
	Agencies	43
	Numbers	54,000
Project Manager's appraisal (5)		
	Agencies	64
	Numbers	227,000

Notes

1. Numbers related to target staff at 1.4.88, taken from PEWP and rounded: current staff in post may vary.
2. Publicly announced as candidates (see Annex 2) at varying stages of examination.
3. Precise numbers depend on whether more than one Agency is formed from any given area of work.
4. Further activities identified, under consideration at varying stages within Departments.
5. Further activities identified, not necessarily accepted by Departments.

The table excludes the Northern Ireland Civil Service, which has 3 announced candidates totalling 6,000 staff, out of a total NICS staff of about 29,000.

ANNEX 4

Improving Performance

The Project Manager's Summer Report, and indeed the Ibbs Report, set out a number of elements that have to be in place if Agencies are to deliver improved performance. During the last 6 months a good deal of work has been done in this area. The important thing is to set objectives and resources, within the right frameworks, and then give managers the tools to get on with the job.

Clarity of responsibilities: Setting objectives

2. This is fundamental to Next Steps. The work of each Department and Agency must be organised in a way which focuses on the job to be done and the systems and structures must enhance the effective delivery of policies and services. In particular the various interests in any particular situation, especially the "customer" - the Department or the Minister - and of the "contractor" - the Agency - needs to be clarified and set down. This is the purpose of the Framework Document, which will also set out, or provide to be set out elsewhere the Agency's long-term and short-term objectives. The first 3 Agencies have been set up on this basis. Although Framework Documents must have a certain permanence, there is inevitably, at this early stage, a learning process to be gone through; and the Documents may need to be modified in the light of experience (and it is formally provided that they should be modified 3 years after launch). We shall also learn from outside criticism and commentary, although to date there has been relatively little of this. However it is expected that the PAC will be taking an interest in the first Framework Documents in a review they are to carry out later this year.

Top management

3. Good well motivated top management is also vital. Of the 3 Agencies so far set up, 2 Chief Executives were internal selections, while the

third, though a serving civil servant, was selected after open advertisement and competition. Such a competition is expected to be the approach in many cases. However there are issues here to be settled, particularly in relation to potential Chief Executives of activities which may not become Agencies for some time ahead, which I shall be looking at, with Departments, in the next few months. Performance pay arrangements under which Chief Executives can benefit from the better performance of their Agencies and delivery of their targets (or be penalised for failing) are in place for the first appointments and this is likely to become a standard feature.

Adapting the systems

4. One of the basic observations of the Ibbs Report was that in many areas the Civil Service is governed by across the board rules, applying to all activities regardless of nature or suitability, in a manner which is at best approximately appropriate to all and at worst actually suitable to none. Part of the work in the last six months has been to begin to examine some of these rules to see how they can and should be adapted to suit specific activities more precisely, so as to give the best chance of delivering the given performance objectives within remaining central disciplines where necessary.

5. Although this is not the only ingredient in seeking improved performance, or even necessarily the most important in particular cases, it is still an area which is important in itself and in the perception of Departments and the public. The developments discussed below will not always affect all Agencies, at least not initially. And they will be developed over time in the light of experience generally and in the cases of individual Agencies. But starting to tackle them early on will begin to define better the environment so that people in Departments and Agencies will be able to propose arrangements with a better idea of what may be available.

6. On the financial side Treasury Ministers have agreed in principle to "Agency Funds" which would in suitable cases give a financial framework

more akin to that used by commercial concerns, which will remove some of the present constraints and help to bring about a more effective managerial approach, all within Parliamentary controls. This will require modest legislation in the 1989-90 Session to amend the Government Trading Funds Act 1973. They are consulting other Ministers about this. The possibilities of developing other alternative regimes, such as the "agency financial limit" (AFL) concept where external financial control is exercised simply through the net total of resources required in a particular period, and of establishing commercial-type accounts, are being examined. There is already often more scope for flexibilities than Departments sometimes think and in many cases existing arrangements may be effectively adopted, but the Treasury are willing to consider on their merits cases for more where this can be justified on efficiency/effectiveness grounds.

7. So far as pay and personnel goes moves are already in hand to loosen up some of the present highly centralised and rigid Civil Service pay and personnel, and recruitment, structures. Existing pay agreements, and those under negotiation are designed to continue this process and to provide for the flexibilities which Agencies (and others) will need, whether by way of modification, sometimes quite modest, of Service-wide arrangements eg specific local performance pay schemes (as with VI and Companies House) or setting up a completely new tailor-made regime (as with HMSO). Many Agencies are likely to want one or the other, or one and then the other, and the systems must legitimise and encourage this. Non-pay conditions etc, and recruitment processes need to be similarly addressed, and there are welcome signs that this is starting to happen. All these pay and personnel issues (and the accompanying issue of delegation - see below) are among the most important concerns of local managers, and more work is needed here.

8. Proper delegation is vital. The aim is for managers to work within frameworks that give them the best conditions in which they can deliver the results required of them. Merely introducing flexibilities into the system is necessary but not sufficient; management down the line

must be given maximum delegation to make full use of these flexibilities at the local level. This is another priority area for work in the next stage. There is a need for more boldness here in the search for improved results. Managers must be encouraged to maximise their successes rather than minimise their failures. At the meeting on 28 November the Prime Minister confirmed that there should be a minimum of central bureaucratic control and the maximum of devolved responsibility to local operating units.

Accountability

9. The Treasury and the NAO have been most helpful. Important decisions were taken and announced following the TCSC report and consultation with the PAC. The Chief Executive will be the Accounting Officer where an Agency has its own vote or is a separate Department. In other cases, the Chief Executive will be designated Agency Accounting Officer for the Agency's operations, in the light of the powers and responsibilities assigned to him in the Agency framework document. Ministerial responsibility to Parliament thus remains, but the realities of day-to-day management are recognised and Agency Chief Executives are given real power and responsibility for the services they deliver and the resources they manage. This is a potentially far-reaching and helpful development which should both encourage and compel Departments to delegate responsibilities and flexibilities down the line.

ANNEX 5

24th October - Written Answer

PRIME MINISTER

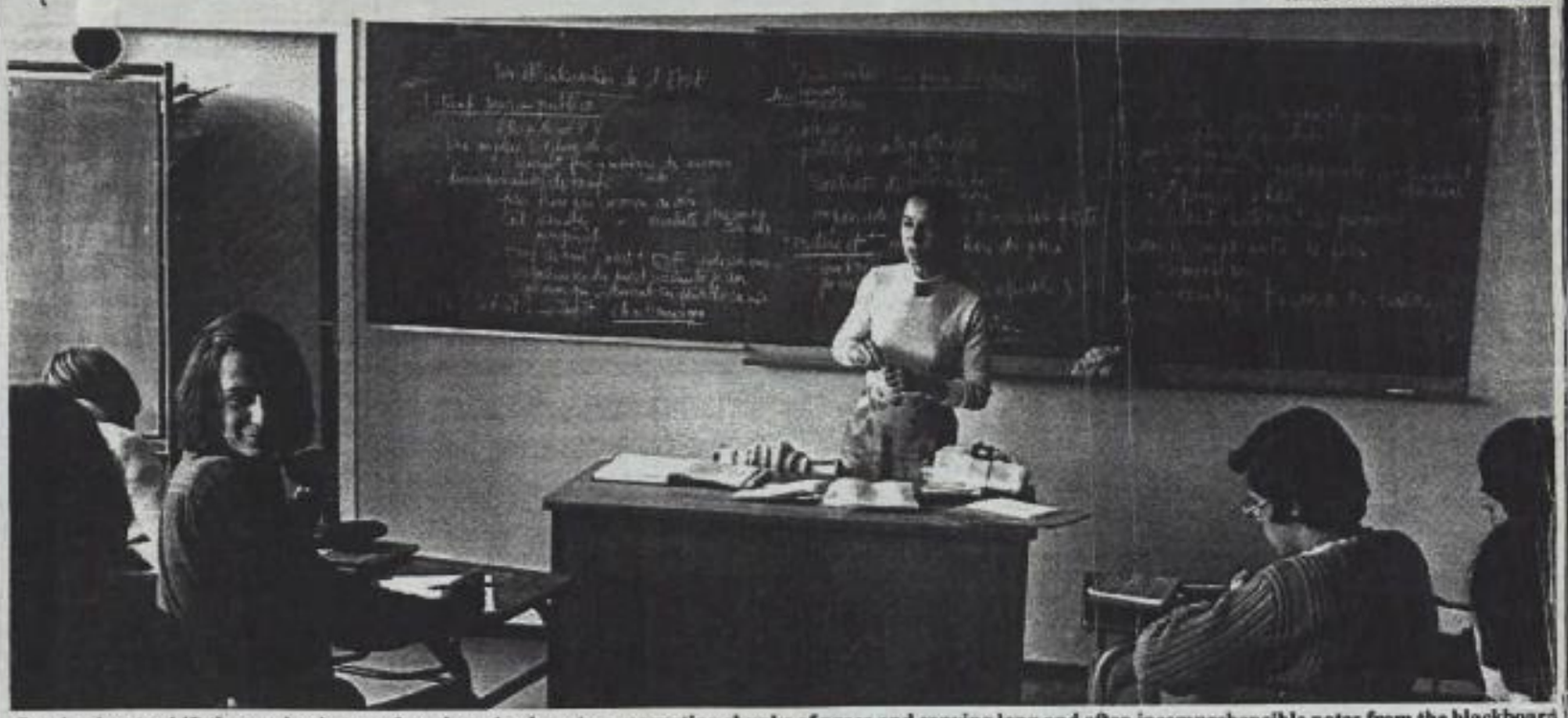
"Next Steps"

Mr. Sean Hughes: To ask the Prime Minister whether those functions of the Civil Service which are given agency status as part of the "next steps" initiative will be exempt from privatisation; and if she will make a statement.

The Prime Minister: The Government's privatisation policies will continue. Before an agency is established, alternative options, including contracting out the work and privatisation will be examined. "Next steps" is primarily about those operations which are to remain within Government. I cannot rule out, however, that after a period of years agencies, like other Government activities, may be suitable for privatisation. Where there is a firm intention of privatisation when an agency is being set up, this should be made clear.

John Izbicki on the latest in a long line of attempts to improve the French education system

TIMES EDUCATIONAL SUPPLEMENT



Jospin aims to shift the emphasis away from learning by rote — parroting chunks of prose and copying long and often incomprehensible notes from the blackboard

Echoes from across the Channel, as France forges new reforms

AT LAST, there are moves to take some of the pressure out of education in France. Its government has produced a programme that virtually asks schools to stop *instructing* their pupils and to start *teaching* them.

The Socialist prime minister, Michel Rocard, like his Tory counterpart across the Channel, has decided to make education the top priority on the nation's political agenda.

But, while Britain is concentrating on dictating the curriculum from Whitehall, France, which for a century or so has been in the forefront of centralisation, has decided to start giving schools and teachers more say in how they go about their jobs. In return, Lionel Jospin, education minister, wants schools to give every child a chance to shine and an opportunity to go out into the world with a decent qualification.

Now where have we heard all this before? Did not the then Sir Keith Joseph put forward the same kind of deal? He was genuinely upset that only a minority of school-leavers possessed a piece of paper proving that they were good at something or other.

But there are major differences between British school reforms and what was placed before the French Cabinet meeting in Paris this week by Mr Jospin. Money is just one of them. France spends 197.9bn Fr (about £19.8bn) a year, or 15.8 per cent of the national budget, on education. Monday's meeting of the Council of Ministers rubber-stamped an injection of 12bn Fr over the next two years — that is, £600m this year and a further £600m next — with the promise of more each subsequent year until 1993.

The cash is to help pay for a radical five-year package which will almost double the present number of teachers, reduce class sizes, improve the quality of pupil-teacher involvement and rationalise the number and content of examinations.

Over the past six years or so, French classrooms have become overcrowded. The number with more than 40 pupils has increased from none in 1983 to 1,049 last year. Over the same period, the number of classes with 37-39 pupils increased tenfold. *Redoublement* — having to repeat one or more classes — could lie behind such overcrowding. More than one child in every three entering a French secondary school has had to repeat at least one primary school year. And it does not stop there. At the *college* (equivalent of our old secondary modern school), *redoublements* have doubled over the past 10 years, with nearly 15 per cent repeating the third grade (normal age 14).

Because very few who have had to repeat a class manage to reach, let alone pass, the Baccalaureat (passport to the French university) or one of the other school-leaving diplomas or certificates, *redoublement* is to be phased out and replaced by a year of special remedial help.

Currently, more than 100,000 people leave school without any kind of qualification. A large proportion of them are semi-literate, having gone from primary to secondary level unable to understand a simple text or write a straightforward letter. Most of them will have spent more time in front of a television screen than in a library and they will rarely, if ever, have read a "proper book" as opposed to a horror comic.

If all this sounds familiar to the British reader, it merely demonstrates how narrow the Channel has become. Sir Rhodes Boyson and the Black Paper Movement might even congratulate themselves for having foreseen it all 20 and more years ago.

Black Papers or Red, Mr Jospin is determined to curb failure and turn it into success. Like that many-coloured dream of Lord Joseph's (who wanted 90 per cent of children to reach at least the level now attained by the average), Mr Jospin wants to see the 32.5 per cent of Baccalaureat holders become translated into 80 per cent by the year 2000.

It is to reach this goal that other radical changes will be introduced. Teachers will be expected to work in teams, giving lessons to small groups of children at all stages of their education — if necessary, on a one-to-one basis.

Clearly, this will require a much bigger teaching force and by the year 2000, when there will be an estimated 12.8 million pupils (400,000 more than today), an additional 400,000 teachers and assistant teachers will have been employed — thus doubling the current total of 328,120.

And, instead of the present over-concentration on learning by rote (parroting chunks of out-of-context prose and copying long and often incomprehensible notes from the blackboard), teachers are to allow children at nursery and primary level to develop their own personalities.

Mr Jospin also wants to rationalise examinations. The country's schools are at present in the grip of no fewer than 650 different exams. The education minister wants not only to reduce this formidable number, but to make remaining exams more relevant to daily life and the world of work.

This does not mean scrapping the Bac or other major examinations. Teachers will be told to concentrate more on continuous assessment, especially in keeping a close day-to-day watch on children's ability to speak, read and write properly and to comprehend what they read and what is said to them.

The way the school year is divided will change. It will still comprise 36 working weeks, but it will be split into five periods, each of about seven weeks. So children and teachers can look forward to a two-week break every seven weeks or so. The over-long summer holiday is to remain untouched for the present.

Mr Jospin has not been put off by the dismal failures of some of his predecessors who tried to force through radical educational reforms. One of them, Alain Savary, wanted to do away with private (that is, religious) schools and managed to provoke the biggest protest parents had ever staged in the streets of Paris. Another, Alain Devaquet, wanted to copy Britain and make higher education more selective. This brought noisy students out into the streets in force. Both projects had to be withdrawn.

Mr Jospin has already attracted the wrath of teachers' unions, who argue that he has offered nothing like enough for this package to be acceptable to and made workable by their members. More discussions will be needed, and Mr Jospin has called together all interested parties — teachers, unions, parents and others — to sit down and . . .

Yes, that too brings an echo from Britain's past: the Great Debate launched by Shirley Williams when she was Education Secretary in the late 1970s. But this time, it is French style.

Leading article, page 26

French planning to be the brains of Europe

From Patrick Marnham in Paris

TO MANY British parents the French government's decision to redesign the education system may seem unnecessary. The present system is designed to give the maximum number of pupils (currently more than 40 per cent) the chance of a university education; a national curriculum ensures that minimum standards of literacy and numeracy are relatively high, and from their first day at school — which for 33 per cent of children comes at the age of two — it is made clear that they are there to learn.

None the less, the French system of education is agreed by experts of all political views to be working badly. Under proposals published yesterday by Lionel Jospin, the Minister of Education, himself a former teacher, the number of pupils reaching university is to be doubled to 80 per cent, 300,000 additional teachers are to be recruited, and the aim is to provide every school-leaver with either a university entrance or a diploma in commercial or industrial skills. The aim of the Jospin plan is to make the French the most highly-trained nation in Europe by the year 2000, and in doing so to solve the country's unemployment problem. An early estimate of the cost of the programme is between £5bn and £10bn.

Education plays a far more important role in French politics than in Britain. For historical reasons, starting with the Revolution and continuing with the religious-secular warfare of the nineteenth century, the classroom is one of the most important political arenas. In state schools — attended by more than 90 per cent of pupils — the Republican values of liberty, equality and fraternity are drummed in at every opportunity. The teaching profession has traditonally enjoyed a high status, no distinction is made between school *professeurs* and university teachers, and it is still a stronghold of active secularism. For anti-clerical idealists, such as the leaders of the main teaching union, the FEN, education is virtually a national religion.

Opposed to them is a powerful lobby of Catholic parents, many of whom have chosen to send their children to fee-paying schools. The last big clash between the two parties came in 1984, also the last time a Socialist government tried to put through an important educational reform. Encouraged by the Socialist-dominated FEN, the then Minister of Education Alain Savary introduced a bill which would have abolished state support for religious education. It resulted in a demonstration of 500,000 parents on the Champs Elysées, an overnight change of government policy and Mr Savary's resignation.

The secular lobby got its revenge in 1986, when Jacques Chirac's Gaullist government tried to introduce an exam for pupils wishing to enter university (at the moment they qualify by passing their "Bac", the equivalent of A-levels). Once again there were mass demonstrations, this time of schoolchildren, and again an education minister had to resign. Mr Jospin knows that any reforms he proposes will have to be accepted by both lobbies, and he will have his work cut out to please them both.

He has started by ruling out any attempt to fight again the battles of the recent past. No steps will be taken to secularise schools or devalue the highly prized "Bac". He has next promised to improve conditions in the teaching profession, now seriously understaffed. At the moment there are 10,000 vacancies a year, and not all can be filled. Some 23,000 new teachers will have to be recruited to a profession where starting salaries average £8000 a year. Many of the new teachers will work in the "colleges" introduced 12 years ago for non-academic pupils up to the age of 15, and which offer more general courses than the traditional *lycées*. These "colleges" are the nearest existing model for the schools of the future, but they are understaffed and have a high failure rate. Mr Jospin now proposes giving "college" teachers the same status as *professeurs*, in an attempt to encourage the profession to adapt to the future. The opposition of the more inflexible teachers will one of the his obstacles.

Apart from making examinations less specialised, the Jospin plan also proposes they should be simpler. At the moment there is very little time for cultural activities or sports in the school timetable. "I want well-educated brains, not well-stuffed ones," Mr Jospin has said. It is clear that if the number of pupils qualifying for university is to double then the pass mark will have to be lower. What is not clear is where all the extra students will study. Frequently in the past a French politican has introduced an important educational reform without providing the resources needed to make it work. Many of the complaints during the student uprising of 1968 were based on the poor living conditions in the new universities — for example, the school of photography in Paris which had no photographs, let alone cameras.

Under the new plan, 73,000 new university teachers will be needed but their salaries will only be part of the cost of expansion. The existing system already cannot cope with the number of qualified university entrants. One-third of first year students never complete their course. They are failed by the universities as a drastic way of clearing space for the remainder to study.

But it is significant that at the two-day conference Mr Jospin called to discuss his plan, which finished yesterday, two-thirds of the time was spent talking to the teaching unions. The six main unions have built up their membership in different parts of the educational structure; to agree to reform is to some extent to agree to their own abolition. Mr Jospin is likely to find the most entrenched opposition coming from those who should be his strongest supporters.

Leading article, page 26
Across the Channel, page 19

French education aims higher

IT CAN safely be said that intelligence is more highly prized in France than in Britain: in France they even admire intellectuals. French education gives the highest priority to the acquisition of knowledge, while we pay considerably more attention to the development of individuality. Both systems favour an élite minority, but France's sends more on to higher education, and achieves a higher average standard at the secondary level. The French education minister, Lionel Jospin, now aims to raise this still higher.

The Jospin plan, just announced, is impressively ambitious. At present roughly 40 per cent of French schoolchildren reach the level of the Baccalaureat, which is taken at around 18 in a minimum of seven subjects. Those who know both systems agree that it places a considerably heavier burden on pupils than doing four subjects at A-level or equivalent (reached by less than 15 per cent of British children, usually in two or three subjects). Mr Jospin has revived the first Mitterrand government's target of doubling to 80 per cent by the year 2000 the proportion of those achieving the Bac level; and he wants no child to leave school without a certificate of manual or professional training. All those who pass the Bac should, as now, be able to go on to higher education (from which many more drop out in the first two years than do here). Finally, the French educational system "should be more open, in method and content, to international co-operation and the building of Europe".

These targets may seem unrealistic. Yet the proportion of pupils reaching Bac level has doubled over the last 30 years. Mr Jospin has, however, acknowledged that stuffing children with knowledge is not everything: at primary level at least, teachers will be asked to encourage personal development — *à l'anglais*, in fact. On this side of the Channel, Mr Baker's reforms are nudging the pendulum back towards academic attainment from past emphasis on freedom of expression.

A process of convergence between the two systems may indeed be noted. Mr Jospin wants to reduce the burden of exams on French children, more than one in 10 of whom have to repeat a year if they fail to make the grade, and introduce more continuous assessment, as is already done here. The French minister wants to reduce over-large classes nearer to British levels, and to encourage teachers to establish closer relations with parents and the community. Britain is embracing the core curriculum concept which dominates French education.

The besetting sin of the British system is its failure to equip sufficient school-leavers with any worthwhile qualifications, let alone ones leading to higher education. Employers here are complaining of shortages of graduates and of school-leavers able to fill skilled jobs. The Jospin plan shows, depressingly for us, that the French are setting their sights much higher than the British. After a long period in which the French economy outperformed ours, Britain's growth rate has latterly been the faster. In the crucial field of education, Britain can now afford to raise its level of expectations and the resources it commits to this sector. Otherwise, in the Europe of the single market, the French will surely gain a considerable advantage.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social Services Security

cc P.U.

NBPM
BT 19/1

The Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1

19 January 1989

Dear John.

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

Thank you for copying to me your minute to the Prime Minister about extending the scope of the Government Trading Funds Act 1973 to allow suitable Next Steps agencies to have financial regimes modelled on trading funds. In general I welcome your proposals.

However, I note the point made by John MacGregor on the suggestion that borrowing be financed from votes rather than the National Loan fund. We too would wish to be involved in further consideration of the proposals.

I am copying this letter to the Prime Minister, E(A) and Cabinet colleagues, Sir Robin Butler and Sir Angus Fraser.

Yours
John

JOHN MOORE

GOVT MACHINERY PART 29.

"THE RAYNER PROGRAMME"

NBPM AT 17/1, cc. PU

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LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

17 January 1989

Dear John

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

I welcome the proposal in your minute of ~~20~~ 16 December to the Prime Minister to extend the scope of the 1973 Act. The financial arrangements for a number of agencies I have in mind will be considerably simplified if they can be put on a trading fund basis, and preferably one which will cover all their activities.

I have much sympathy with the points in John MacGregor's letter to you of 10 January in respect of agencies which are financied partly by trading income from the private sector and partly by funding from the parent departments. I think we must be able to go this far. My officials are in touch with yours about this issue. I should also welcome the consultation at official level which John seeks on your proposals for financing borrowing from Votes rather than from the National Loans Fund, with which I also agree.

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

Yours ever

Nicholas

NICHOLAS RIDLEY

GOVT MPCH Rampur PT29

cc PU

PRIME MINISTER

FUTURE WORK OF EFFICIENCY ADVISER AND EFFICIENCY UNIT

Agr PTM

In view of the changes that have taken place you may wish to renew your mandate on efficiency work, last expressed in a minute of 6 October 1983 to Robin Ibbs.

Your previous remit was, in effect, to help central and Departmental Ministers to work with their own top management to

- define their key objectives
- set targets for improving value for money
- commission scrutinies to help achieve these targets, and
- track the progress being made in achieving lasting reforms in managing money and staff.

In terms of activities this has meant that (leaving aside specific one-off issues investigated at your request) the Efficiency Adviser and Unit have pursued three main lines of advance:

a. the programme of scrutinies;

b. individual discussions with Ministers and Permanent Secretaries about their main strategic objectives and the targets they set to achieve them; and

c. your own value for money seminars.

The Next Steps initiative, resulting from a major scrutiny as a means of bringing about some of the desirable lasting reforms, has, of course, now become a free-standing project in its own right. The Efficiency Unit will, nonetheless, still have something to contribute there, eg in identifying potential agencies or preparing the way for agency frameworks.

I have been considering ways in which the work in the efficiency field may now call for some adjustment, and have been taking the views of a number of Permanent Secretaries.

I have no proposals to make on your value for money seminars. These remain a vital means of bringing home to Ministers and Permanent Secretaries the importance you attach to a strong sense of commitment to better value for money, and they are accepted as a central part of the programme for improving management effectiveness.

Nor do I have any fundamental change to suggest to the scrutiny concept, which lies at the heart of the Unit's continuing work, with members of the Unit co-ordinating the programme and working alongside scrutiny teams (or leading them when the remit is interdepartmental) and following each scrutiny through to implementation. The programme should continue to be based firmly on the scrutiny technique evolved by Derek Rayner and extended by Robin Ibbs, and be directed at topics important enough to repay the intervention of the Unit. In recent years there has been more inclination to push into the area of programme expenditure and also into new parts of the public sector (eg the police), and these developments are welcome. I shall return later to the question of some of the larger issues which we might now be expecting the scrutiny programme to help with.

As for the third strand of activity - the annual discussions of key targets with Ministers - I feel less comfortable with the present format. Too often in the past, target setting has not been the product of a coherent departmental strategy for better management; and in such cases the discussion of "key targets" (sometimes, it would seem, devised for the occasion) must have been rather an artificial and abstract exercise. I would like to shift the emphasis more onto the state of departmental management strategies within which targets and efficiency scrutinies have a critical role to play. Fortunately there are other developments also pointing in that direction. With the dropping of overall manpower targets, the Treasury now puts more stress on the use of top management systems, whether in the context of FMI or of the public expenditure cycle (eg Departments are now required to produce 3-year running cost management plans). I think this will make it profitable for my annual round of discussions to be rooted more widely in the Minister's use of management strategies and Departmental priorities, as well as key targets and scrutiny candidates flowing from those strategies and priorities. This could and should be done without in any way cutting across other central activities, and could be timed to fit in with the normal annual planning cycle.

I now return to the question of larger issues which might benefit from more attention from scrutinies and the like.

The Civil Service. Implementation of the Next Steps initiative should be a key priority, but in the wake of Next Steps and all the other changes which have affected the Civil Service in recent years, there is also - as Robin Ibbs indicated in his valedictory report to you - a good case for following through with a radical central study of the future direction of the Service, based on present day realities (including recruitment, location, career planning and succession for management, terms of service and patterns of remuneration), as a concomitant to the setting up of agencies. Robin Butler's view is that a general high profile study of that kind would be likely to be counter-productive so soon after the Next Steps scrutiny. I can understand that feeling and his preference for a programme which would look at particular aspects one by one (eg alternative working patterns; recruitment and career planning problems; relocation). It would, however, be important to have a coherent overall plan within which individual exercises of this kind (not all of which would necessarily involve the Efficiency Unit) could be fitted, so that by the end of, say, the next two or three years all the main areas would have been covered by one means or another.

A second wide-ranging problem is the management of expenditure over which Departments feel they have little direct control. This takes in a very large sector: local government, quangos, some nationalised industries, police, fire services. While some machinery already exists for reviewing the systems used by Departments in exercising financial control over NDPBs, some well-chosen scrutinies could give new insights into strengthening ways of achieving VFM.

The European Commission. Given the changes implicit in moving towards the single European market (on whatever scenario), the quality of administration in the UK is going to depend increasingly on the effectiveness of Brussels in devising policies which take adequate account of practicality and on the adequacy of the machinery for assessing and challenging policies from that angle, and also on the efficiency of the Commission bureaucracy itself. This is not novel territory and there is a continuing war waged by Whitehall Departments to ward off potential administrative difficulties (whether for the UK Government machine or for the private sector) arising from Brussels proposals. As for the adequacy of the Brussels machine in bureaucratic terms, there have been efforts in recent years to encourage the Commission to modernise its inner workings. At the start of the new Commission it seems worthwhile taking stock with the Secretary General (and relevant Directors General), plus the Audit Court, on the scope for securing greater effectiveness in Commission procedures and further focus on VFM considerations in proposals put forward by the Community.

Finally, from time to time, one can expect that special issues will arise which seem particularly timely subjects for fitting into the programme at short notice if worthwhile scrutinies can be devised: at present one thinks of a number of regulatory issues in regard to safety and the management of standards of quality, involving several departments and which might repay such treatment.

You may wish to discuss the future orientation of efficiency work. In the light of that I could then attempt a draft of a possible restatement of our remit.

I am sending a copy of this minute to Robin Butler.

AnF.

ANGUS FRASER
16 January 1988

GOVT MACH : Rayner PT29

CC(89)

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 5803
Telex 915564 Fax 01-273 5821

Secretary of State

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Great George Street
LONDON
SW1

13 January 1989

Dear Chief Secretary,

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

I have seen your minute to the Prime Minister of 20 December. From the Departmental point of view, I am content with your proposals, but I have one general concern. It would seem to me that the natural place for trading operations is in the private sector, not the public sector. For example, it is anything but clear that the Vehicle Inspectorate - the testing of lorries - needs to be a public sector activity. I am of course aware of the history of 1982 - and I have no desire to reopen that particular case. It does, however, underline the importance of the general position that we should ensure that trading operations cannot go into the private sector before turning them into agencies.

I am copying this letter to the Prime Minister, E(A) and Cabinet colleagues, Richard Luce, Sir Robin Butler and Sir Angus Fraser.

Yours sincerely,

Clive Norris

[approved by the Secretary of State and signed in his absence]

NORMAN FOWLER

GOVT MACH: Rayner R24

dti

the department for Enterprise

cc PN.

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon John Major MP
Chief Secretary
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Direct line 215 5147
Our ref
Your ref
Date 13 January 1989

Dear John,

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

Your minute of ~~20~~ December to the Prime Minister is a most welcome development. FILE WITH PG

The freedom to borrow and to create reserves and the commercial disciplines associated with Trading Fund accounting systems will be important additions to the measures available to us for improving the performance of current and prospective agencies. I hope therefore that it will be possible to find a place for your Bill in the legislative timetable as soon as possible, and preferably in 1989/90.

I also agree with your proposal that each case should be dealt with on its merits. Our aim should be to provide for each agency what is needed in order to improve value for money and quality of service. There is also much to be said for the step-by-step approach. As you know, the framework document of Companies House, the first DTI agency, states that the Agency will aim in the medium term to move towards fully autonomous costing and accounting at arms's length from the Department, with a view ultimately to achieving Trading Funding status.

JA1AAS

dti

the department for Enterprise

I note from your letter that you envisage some change in present Vote accounting arrangements to cover borrowings of agency Trading Funds. This would appear to have quite wide-ranging implications and I should be grateful if your officials could circulate further details of what is proposed to Departments as soon as possible.

Yours ever
Tony

TONY NEWTON

JA1AAS

GONMACH: Lower P94

010

cc PS

dti

the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon George Younger TD MP
Secretary of State for Defence
Ministry of Defence
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Our ref PS6ASB
Your ref
Date 12 January 1989

Dear George,

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

In the recent White Paper Releasing Enterprise we acknowledged that the new departmental programmes for improving understanding between government and business could not be achieved without a positive and active response from business. We said that the Government would therefore be marketing the new programme for business actively in the coming months (chapter 2). Richard Luce and I have therefore been considering this whole question particularly in the light of the remit given to us by the Prime Minister in her minute of 26 July.

I know that Departments have already initiated or developed their own contacts with industry. We think that we should support these by producing and launching a promotional booklet, putting flesh on the programme as described in the White Paper. It should indicate the nature and content of each department's programme with specific examples of successful attachments, so that the kind of opportunities in each Department can be envisaged. It should indicate the advantages to business of grasping the opportunities being made open to them; and it should include Departmental contact points so as to facilitate follow up enquiries by business.

the Enterprise Initiative

dti

the department for Enterprise

If we are to be seen to be following up the White Paper with real determination, it will be vital to market the booklet effectively so as to get it to the right readers. Richard and I have agreed to take professional advice both on the design of the booklet and on the best way to use press advertising (and necessary back up) to get to the right business audience so that departments can achieve their programmes. Richard and I plan to publish the booklet in this way very early in March and I should be grateful for colleagues' co-operation in producing a booklet in that timescale. As time is so short, officials have already discussed this in a preliminary way in the Establishment Officers' Meeting. I have asked the EDU to be in immediate touch with colleagues in establishment divisions to agree a framework for the booklet and to provide contributions, highlighting the key aspects of their programme.

There will be a chance to discuss any further work we ought to do at the next meeting of MISC 133 when we shall be considering the first six monthly progress report on improving understanding between government and business. I am copying this letter to all Cabinet Colleagues, Members of MISC 133, Sir Robin Butler and Dame Anne Mueller.

Yours ever
Norman

the Enterprise initiative

SUBJECT MASTER

file LOBLEY

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

11 January 1989

Dear Tom,

VALUE FOR MONEY SEMINAR ON THE DEPARTMENT OF EDUCATION AND SCIENCE

The Prime Minister held a Value for Money Seminar on the expenditure of the Department of Education and Science. Your Secretary of State, Sir Robin Butler, Sir David Hancock, Sir Angus Fraser, Miss Jenkins, Mr. Brereton and Professor Griffiths were present. The meeting considered expenditure on schools, further education and higher education. It was agreed that expenditure on science should be looked at on another occasion.

The Secretary of State set out progress against the Department's 1987 targets. These had either been achieved or substantial progress made towards them. He then set out the policy objectives for schools. These included completion of the national curriculum, a timetable for introduction of attainment targets, programmes of study and continuous assessment for the various subjects and age groups. The target was to increase the proportion of pupils achieving five or more results at Grade 5 or better to 70 per cent in 1989, 75 per cent in 1990 and 80 per cent in 1991. Timetables had been set for the introduction of greater local management of schools and for the establishment of CTCs. Despite obstruction from some LEAs, good progress was being made towards the establishment of grant-maintained schools. There had been 450 enquiries, 50 had started the legal processes, there had been 13 votes of which 12 had been successful. The first such school should start in September 1989.

The Secretary of State then set out objectives for further education. Changes were in train for the composition of governing bodies and there was a timetable for the delegation of financial management. Targets for tighter student:staff ratios had already been agreed with local authorities. He highlighted, however, the low participation rate in this country beyond the age of 16. For higher education the participation rate was also low though it was improving. It was disappointing that the mix of degrees was not changing faster towards the sciences, and in particular engineering. He drew attention to the increasing proportion of universities' income from non-Government sources and to the improving trend in unit costs.

Finally, he set out the Department's targets for 1989 for schools and for higher education.

The Prime Minister commended the progress being made towards policy objectives. But if this was to be sustained, it was essential to back up objectives with specific targets. These should be specified in terms of outputs not inputs. In particular, she felt that the target for the attainment level of 16 year olds was too low. It also needed to be supported by targets not just for minimum attainment but also for the attainment of more able children, and also for progress being made in the study of core subjects. She suggested that difficulties in recruiting good maths teachers could be overcome by the development of a top class course on video. The Secretary of State said he was already working on this for the core science course.

The Prime Minister said that the education reforms would change the role of the Department. It would have to take on much more direct responsibility and this would need new management skills. The Department should not, however, confuse this with administration. It should not become a substitute LEA - its role was to set targets and then delegate responsibility for achieving them down as far as possible.

The Secretary of State accepted this. If the policies were successful, they would, in large measure, be self-policing as the publication of schools' results and open enrolment would put pressure on the poorer schools. It would be impossible for the Department to administer several hundred grant-maintained schools directly and he was considering ways of giving a greater role to the grant-maintained schools trust.

The Prime Minister was concerned at the time it took for closures to be processed by the Department. The Secretary of State said the target was six months, of which two months was the statutory time for submission of objections. The Prime Minister argued for more demanding targets.

The Secretary of State said he would be bringing forward proposals to achieve the separation of funding to teaching and research in universities, and during 1989 hoped to reach decisions on the future funding arrangements for higher education.

In discussion, the following further points were made:

(i) The reduced role of LEAs would eventually call into question the present structure of local Government.

(ii) The Department could make greater use of scrutinies. These need not be confined to existing policies but could look at changes, eg the way in which the Department should manage grant-maintained schools.

(iii) Whereas it had been difficult to second DES staff to LEAs, it would easier to do so with the trusts for CTCs and grant-maintained schools. This would give officials in the Department wider experience.

Summing up the discussion, the Prime Minister said the achievement of policy change was excellent but that to sustain this more specific targets had to be set. These should be in terms of outputs rather than inputs. In particular, the targets for the attainment levels of sixteen year olds needed to be refined. Policy change would require changes in the management approach of the Department. It should not attempt to administer directly but should set targets and then delegate responsibility downwards. The Department should examine the areas which might be the subject of scrutinies. Further work should be done on an expanded role for the trust for grant-maintained schools, and on the preparation of videos for maths and science courses. The process of closures should be speeded up. In higher education, the failure to extend the take-up of engineering courses was still worrying. The Secretary of State should come forward with proposals for the funding of teaching and research, and for the funding arrangements for higher education.

I am copying this letter to the Private Secretary to the Chief Secretary, to Sir Robin Butler and Sir Angus Fraser.

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Tom Jeffery, Esq.
Department of Education and Science

Mr Baker's presentation and chart at VFM Seminar 11/1

CHART 1: PROGRESS AGAINST 1987 TARGETS

When we had our last VFM seminar in January 1987 I set six targets. They have all been met. Since then we have:

- taken the polytechnics and colleges out of local government,
- established the national curriculum;
- opened the first CTC;
- launched local management of schools;
- increased staying on rates; and
- taken action on training for headteachers.

CHART 2: SCHOOLS POLICY OBJECTIVES

Propose to discuss schools first, followed by further and higher education.

Heart of our policy is list of six objectives on the chart:

- National curriculum to guarantee content;

- National tests and assessment to act as lever to raise standards;

- Local management to ensure more effective use of resources;

- So we are setting clear objectives; measuring progress in achieving them; and delegating financial responsibility - exactly in line with the Financial Management Initiative;

- Open enrolment to provide choice for parents;

- GM schools to increase that choice;

- CTCs to act as spurs to action across the system as a whole.

CHART 3: INTRODUCTION OF NATIONAL CURRICULUM

- Sets out our timetable for introduction of attainment targets and programmes of study for key subjects of maths, science, English and technology;

- New assessment mechanisms will lead to much clearer evidence of how schools are performing;

- First introduction of attainment targets and programmes of study in Autumn 1989 - maths, science and English at age 5 and maths and science at age 11.

CHART 4: PHYSICS AND MODERN LANGUAGE RESULTS

- Shows just how important reform is, if we are to secure value for money from investment of £12 billion each year in schools.

- Previous arrangements led to early specialisation and indefensible differences between curriculum pursued by boys and girls.

CHART 5: 16+ RESULTS AND TARGETS

- Achievement among school-leavers as measured by examination results has been flat over the last few years.

- Our target is to increase the proportion of pupils achieving 5 or more results at Grade F or better to 70 per cent in 1989, 75 per cent in 1990 and 80 per cent in 1991.

CHART 6: LOCAL MANAGEMENT OF SCHOOLS

- Central to achieving better value for money. Opportunity for governors and heads to manage resources more effectively and to concentrate spending on priority areas.

- Timetable allows for submission of schemes by Autumn 1988, and for introduction of approved schemes from April 1990.

CHART 7: FE REFORMS

- Package on curriculum/assessment/local management for schools central to our policies. But important changes in other sectors too.

- My programme includes over £1 billion a year of FE spending.

- Reforms on chart will:

  - limit the size of college governing bodies and reform their composition, giving a greater say to independent local interests;

  - delegate financial management on same timetable as for schools;

  - introduce better management information systems; and

  - achieve tighter student:staff ratio.

CHART 8: 16-18 YEAR OLD PARTICIPATION RATES

- My policies will lead to a continuing rise in participation rates.

- Present levels not big enough by international standards.

CHART 9: 18 YEAR-OLD NUMBERS

- All of this to be seen against the background of demographic change. There will be a 32% decrease in the number of 18 year-olds between 1983 and 1995.

- This illustrates the problems we shall face in the mid-1990s in meeting the needs of employers for highly qualified manpower.

CHART 10: HE PARTICIPATION RATE

- My policies will lead to an increase in age participation rate in HE, from about 14 per cent now to 16 per cent in 1991-92 and almost 19 per cent in 2000;

- I am also planning for an increase in mature student numbers.

CHART 11: INTERNATIONAL COMPARISONS

- But even these figures not all that impressive by international standards.

- Chart shows international comparisons (compiled on slightly different basis from previous chart): UK lagging behind all major competitors in degree level participation.

CHART 12: FIRST DEGREE GRADUATES

- Need to look at balance between subject at degree level: chart shows that progress is being made in delivering policy of enhanced science and technology numbers.

- Major review of needs for highly qualified manpower under way.

CHART 13: HE COSTS

- Shows that the increase in HE student numbers has been achieved with a sharp fall in recurrent unit costs, through action in both the universities and the polytechnics.

- Look to UFC and PCFC to continue to improve value for money.

CHART 14: UNIVERSITIES INCOME

- Shows success of universities in raising proportion of income from private sector, from 18 per cent in 1983-84 to 23 per cent in 1986-87; with corresponding fall in Exchequer grant.

- Want this process to be taken still further; giving earmarked funds to UFC and PCFC next year to help fund-raising from private sector.

CHART 15: STUDENT AWARDS

- Parallel with reduction in unit costs has been reduction in value of student awards: chart shows that awards have fallen - once allowance is made for increased parental contribution - by over 70 per cent since 1979.

- That process will now come to its natural end with the introduction of loans.

- [In longer term will want to redeploy savings from loans into HE provision and even wider access]

CHART 16: 1989 TARGETS: SCHOOLS

The targets are for delivery of my policies:

- for the national curriculum, to introduce the first programmes of study and attainment targets in September;

- for local management, to ensure that LEAs submit their schemes by the Autumn;

- and to establish the first GM schools and the next two CTCs.

CHART 17: 1989 TARGETS: HE AND SCIENCE

I have three targets for 1989:

- to introduce the student loans bill;

- to achieve the separation of funding of teaching and research; and

- to reach decisions on the future funding arrangements for higher education.

CHARTS - RUNNING ORDER

1. Progress against 1987 targets
2. Schools policy : objectives
3. National Curriculum
4. 16+ results in physics and modern languages
5. 16+ results 1982-83 to 1987-88 and targets 1989 to 1991
6. Local management of schools
7. Further education reforms
8. 16-18 year old participation in education and training
9. Numbers of 18 year olds
10. Higher education participation rates and projections
11. Higher education participation rates international comparisons
12. First degree graduates
13. Higher education : current costs and student numbers index
14. Universities' income
15. Student awards
16. 1989 targets : schools
17. 1989 targets : higher education and science

PROGRESS AGAINST 1987 TARGETS

1987 Target	Progress
1. Take the polytechnics out of local government	1. Achieved: Independence Day 1 April 1989
2. Establish a basis for a national curriculum	2. Achieved: Schools begin to adopt it in September 1989
3. Start setting up City Technology Colleges	3. Achieved: Kingshurst CTC opened in September 1988
4. Devolve budgeting control to schools	4. Achieved: Schemes being designed, to start in April 1990
5. Increase staying-on rates at ages 16 and 19	5. Achieved: HE numbers rising particularly sharply
6. Set up a staff college for head teachers	6. Reformulated: Task force for heads launched

SCHOOLS POLICY

Objectives

A national curriculum for all 5 to 16 year olds

A national system of tests and assessment

Local financial management

Open enrolment

Grant-maintained schools

City Technology Colleges

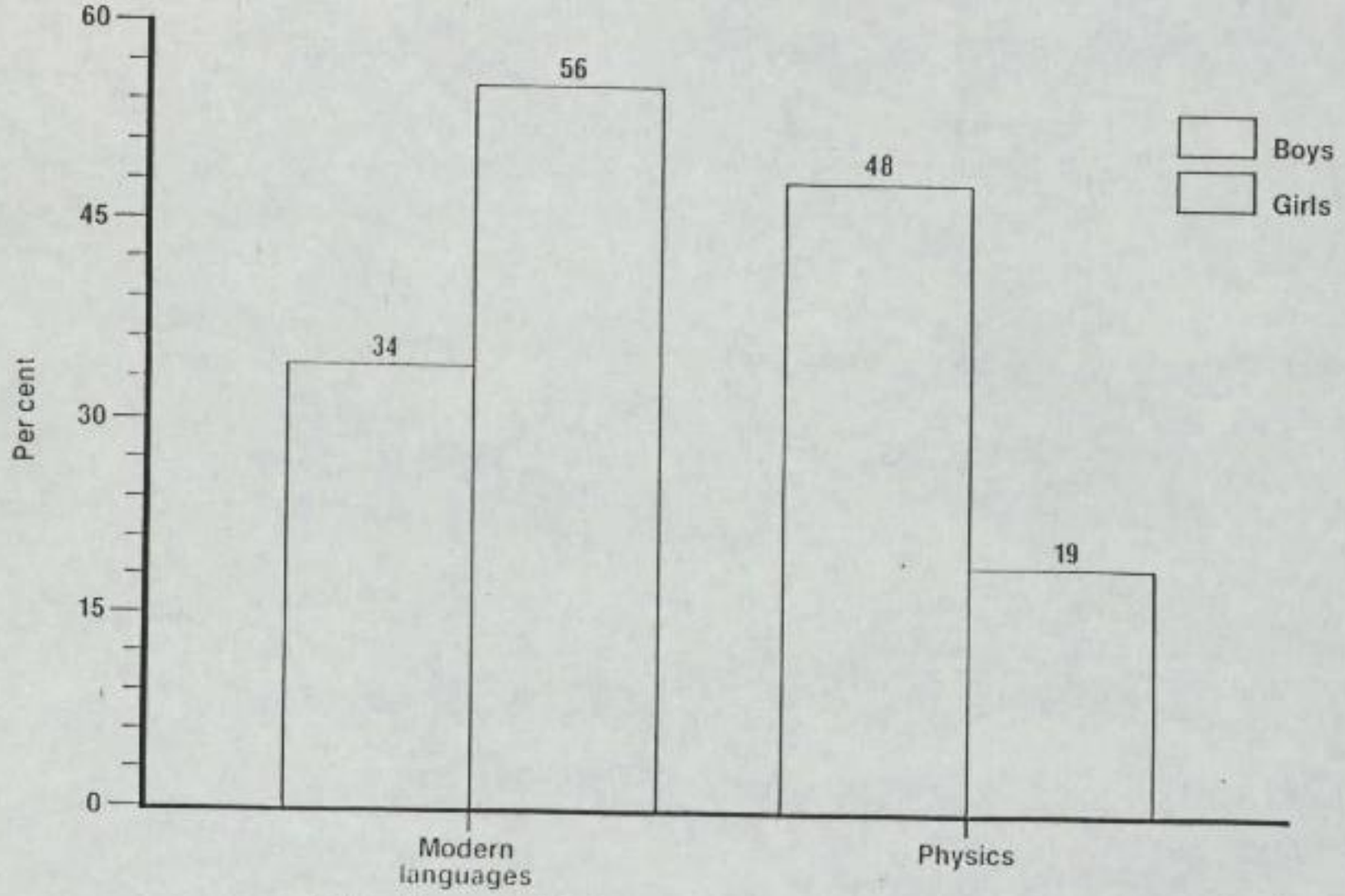
NATIONAL CURRICULUM

Introduction of attainment targets, programmes of study and continuous assessment

Pupils aged:	1989	1990	1992
5	Maths Science English	Technology	
7/8		Maths Science English Technology	
11/12	Maths Science	English Technology	
14/15			Maths Science English

3

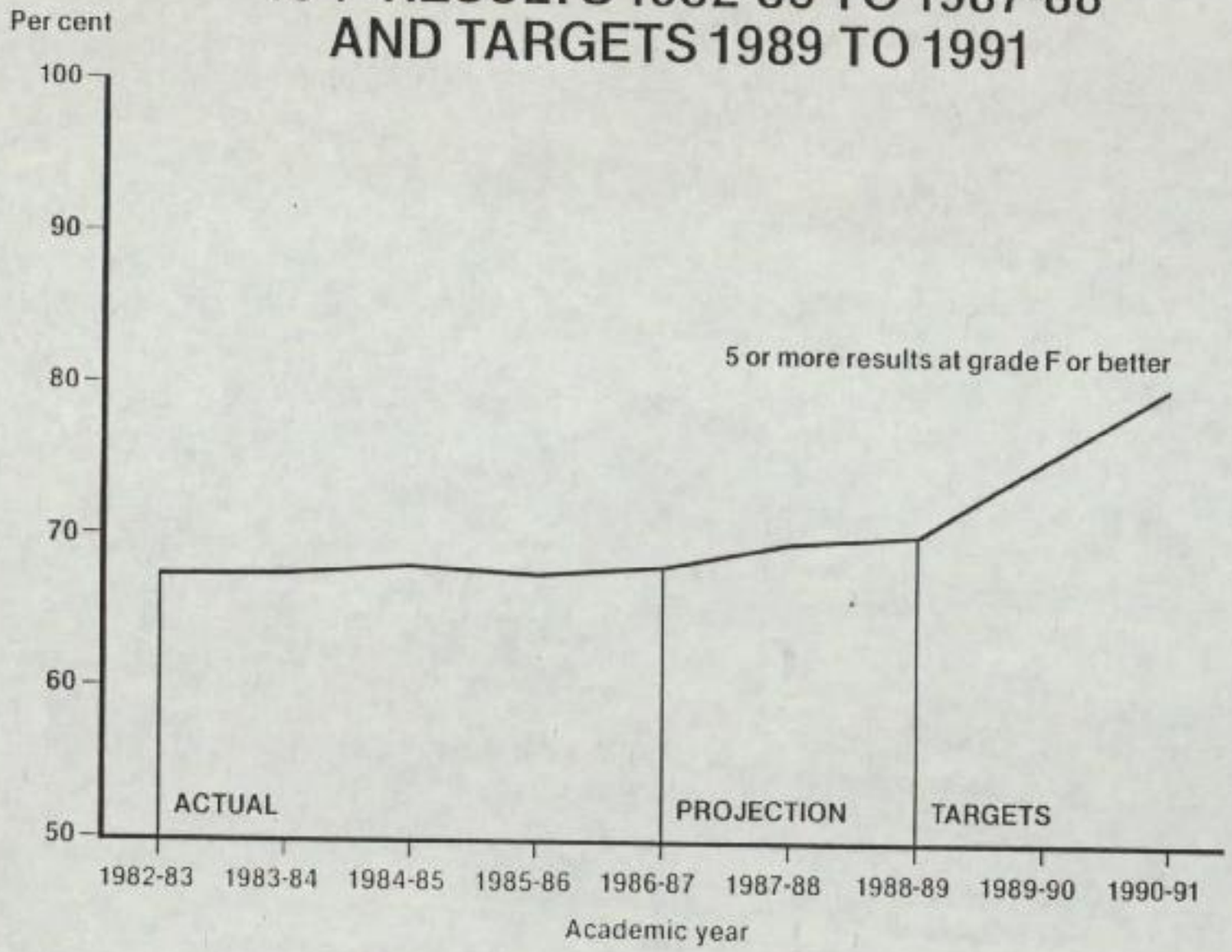
16+ RESULTS IN PHYSICS AND MODERN LANGUAGES



School leavers 1985-86 academic year with O/CSE graded result

4

16+ RESULTS 1982-83 TO 1987-88 AND TARGETS 1989 TO 1991



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LOCAL MANAGEMENT OF SCHOOLS

Timetable (other than Inner London)

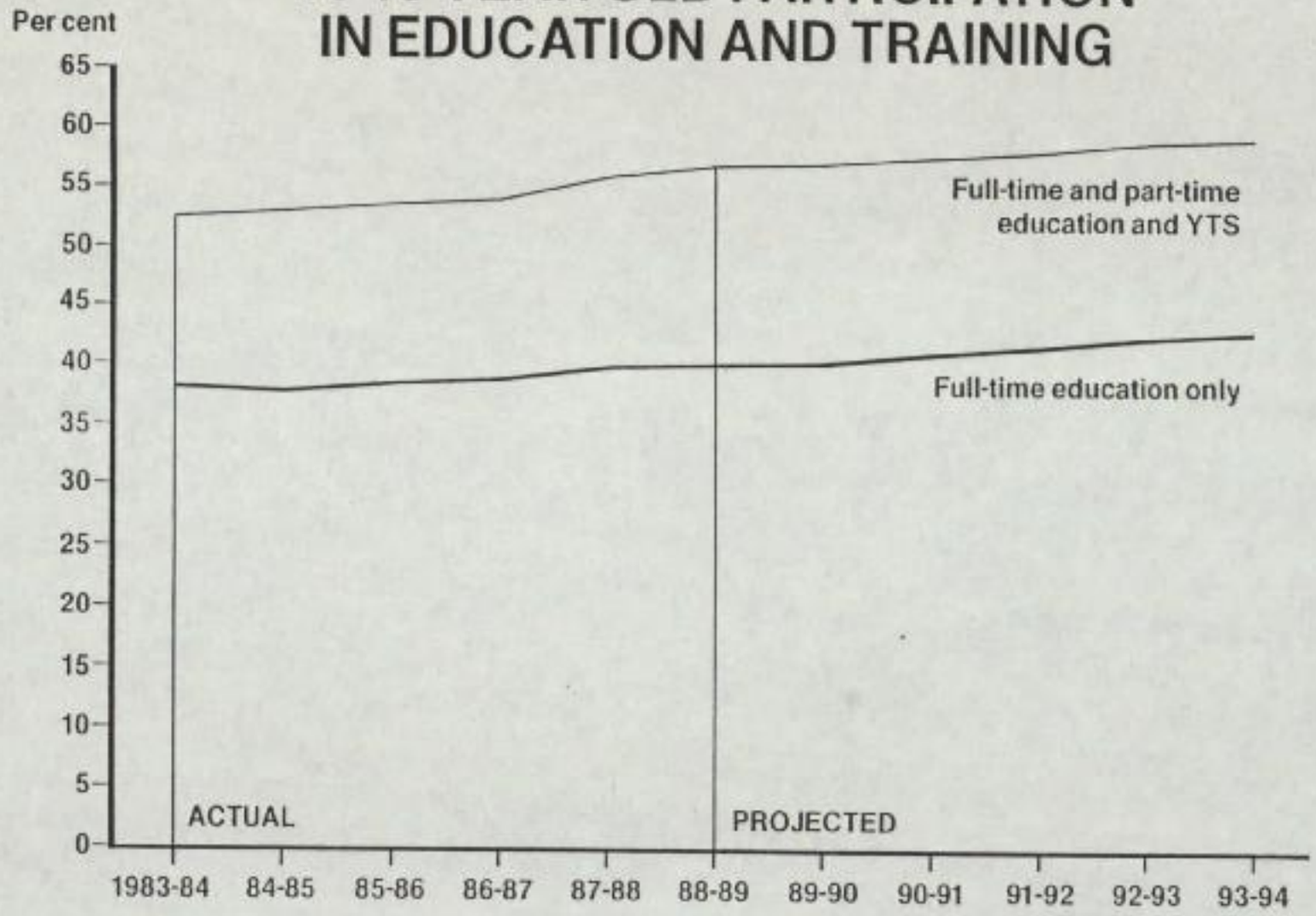
1.	Autumn 1988	– Allocate specific grant funding for 1989-90 for computers, support teams, training
2.	30 September 1989	– Deadline for submission of schemes
3.	Autumn/Winter 1989-90	– Formal approval of schemes
4.	April 1990 April 1991	– Introduction of approved schemes
5.	April 1993	– All eligible schools to have delegated budgets

6

FURTHER EDUCATION REFORMS

- Governing bodies of all 400 FE colleges to be reformed by April 1990, with majority of independent members
- Local financial management introduced in colleges on same timetable as for schools
- All colleges to have computerised management information systems by 1992
- Targets for tighter student: staff ratios already agreed with local authorities

16-18 YEAR OLD PARTICIPATION IN EDUCATION AND TRAINING



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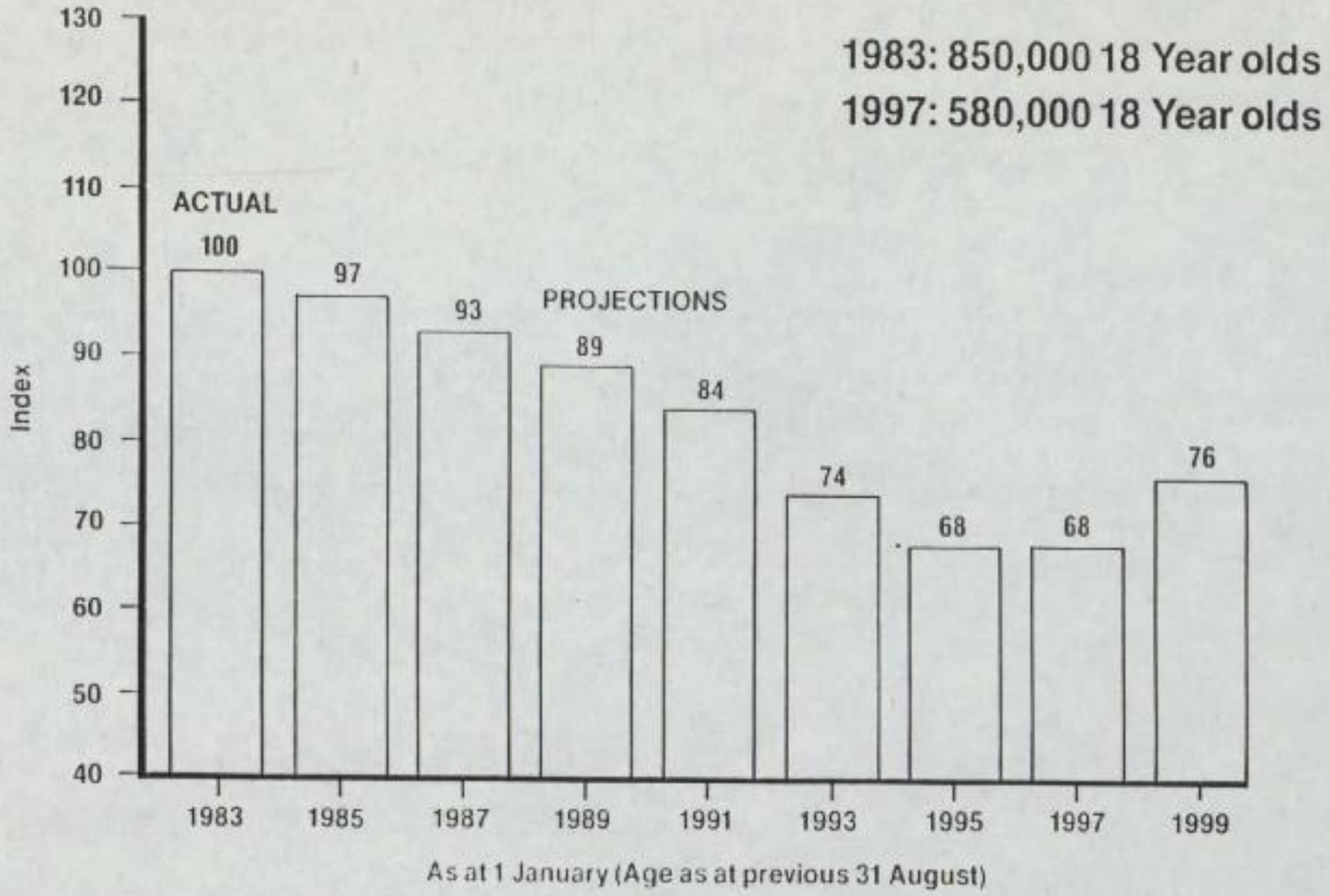
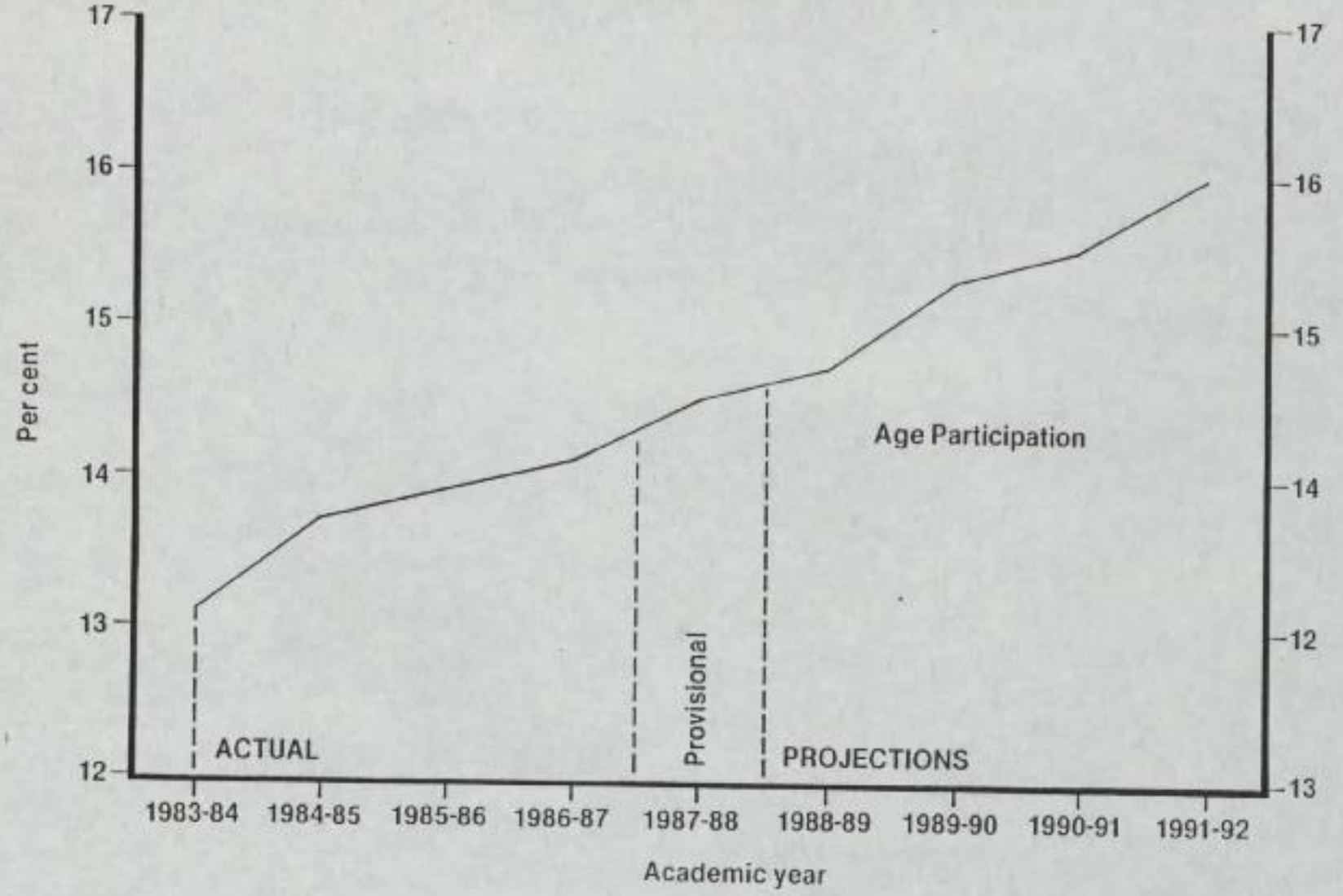
NUMBER OF 18-YEAR OLDS

ENGLAND AND WALES



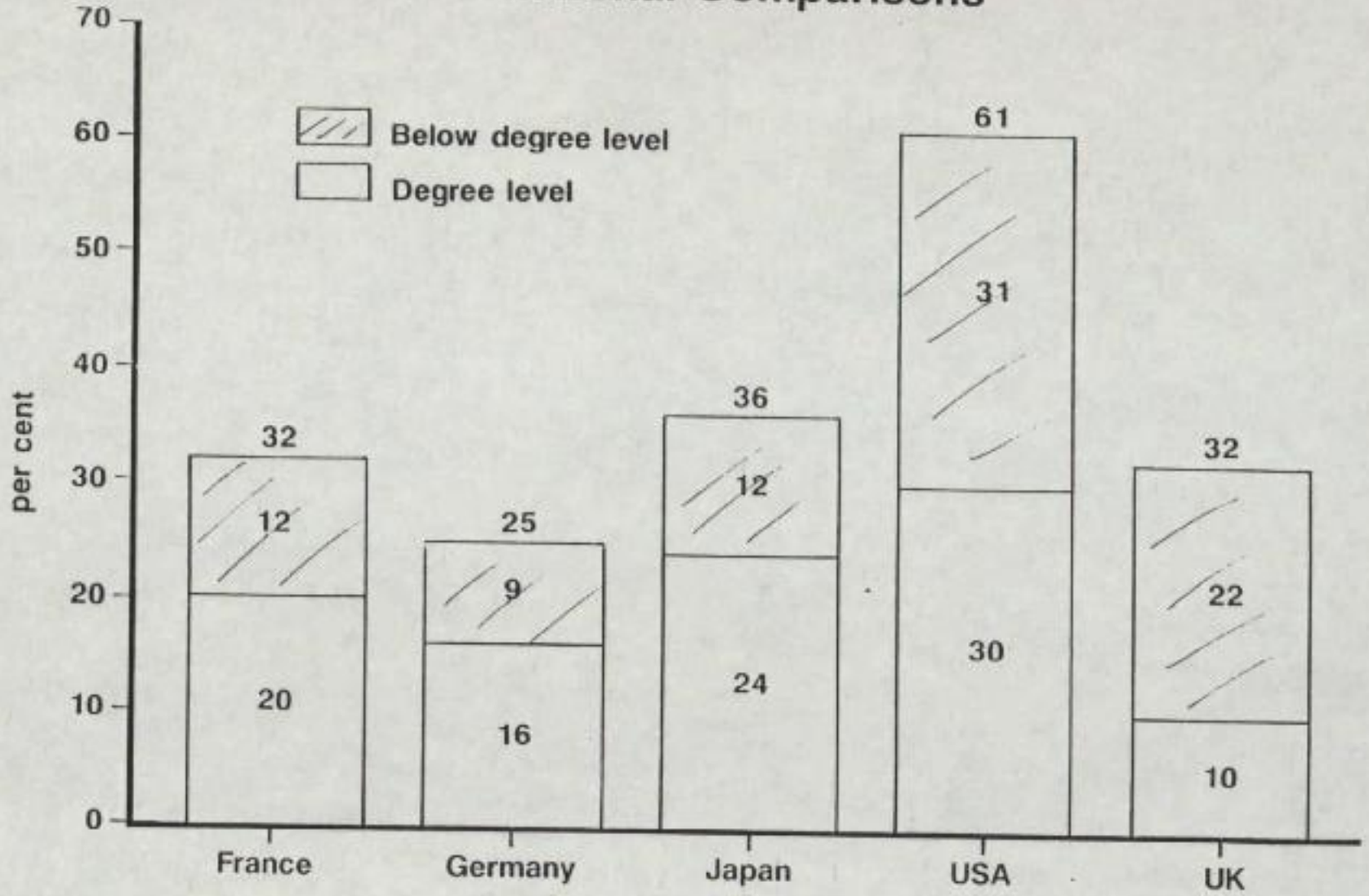
(1)

HIGHER EDUCATION PARTICIPATION RATES AND PROJECTIONS



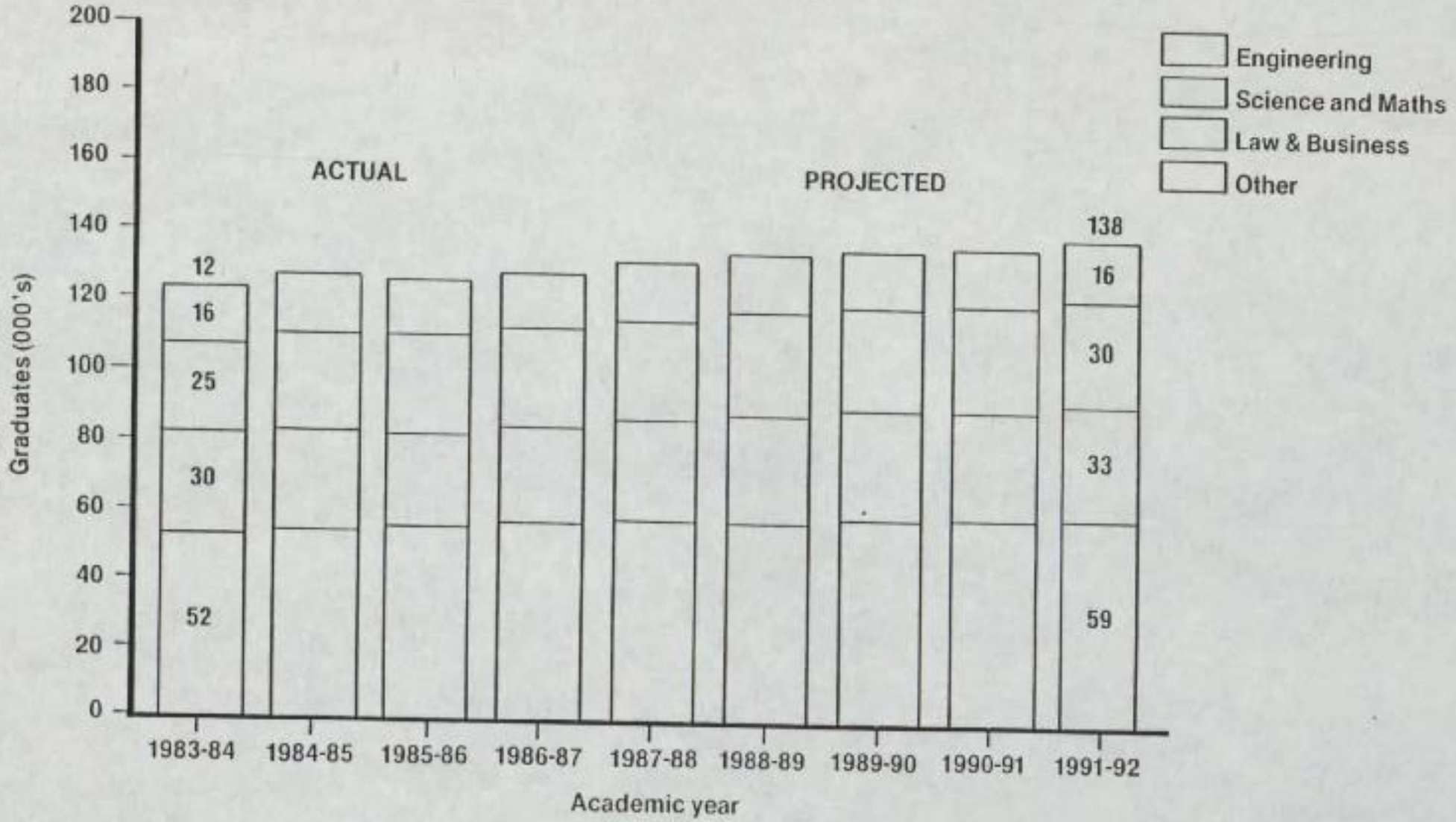
HIGHER EDUCATION PARTICIPATION

International Comparisons



FIRST DEGREE GRADUATES

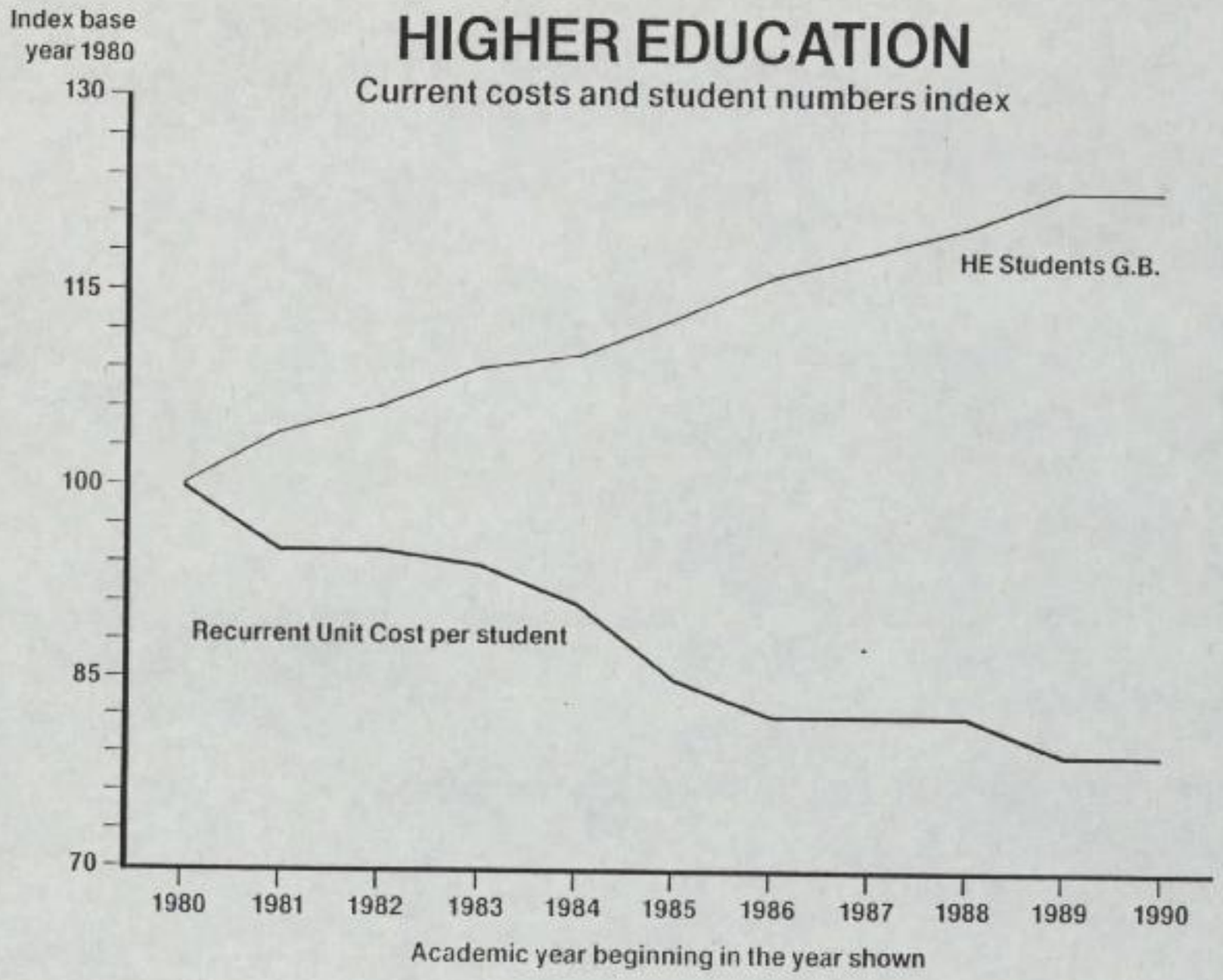
IN GREAT BRITAIN



(12)

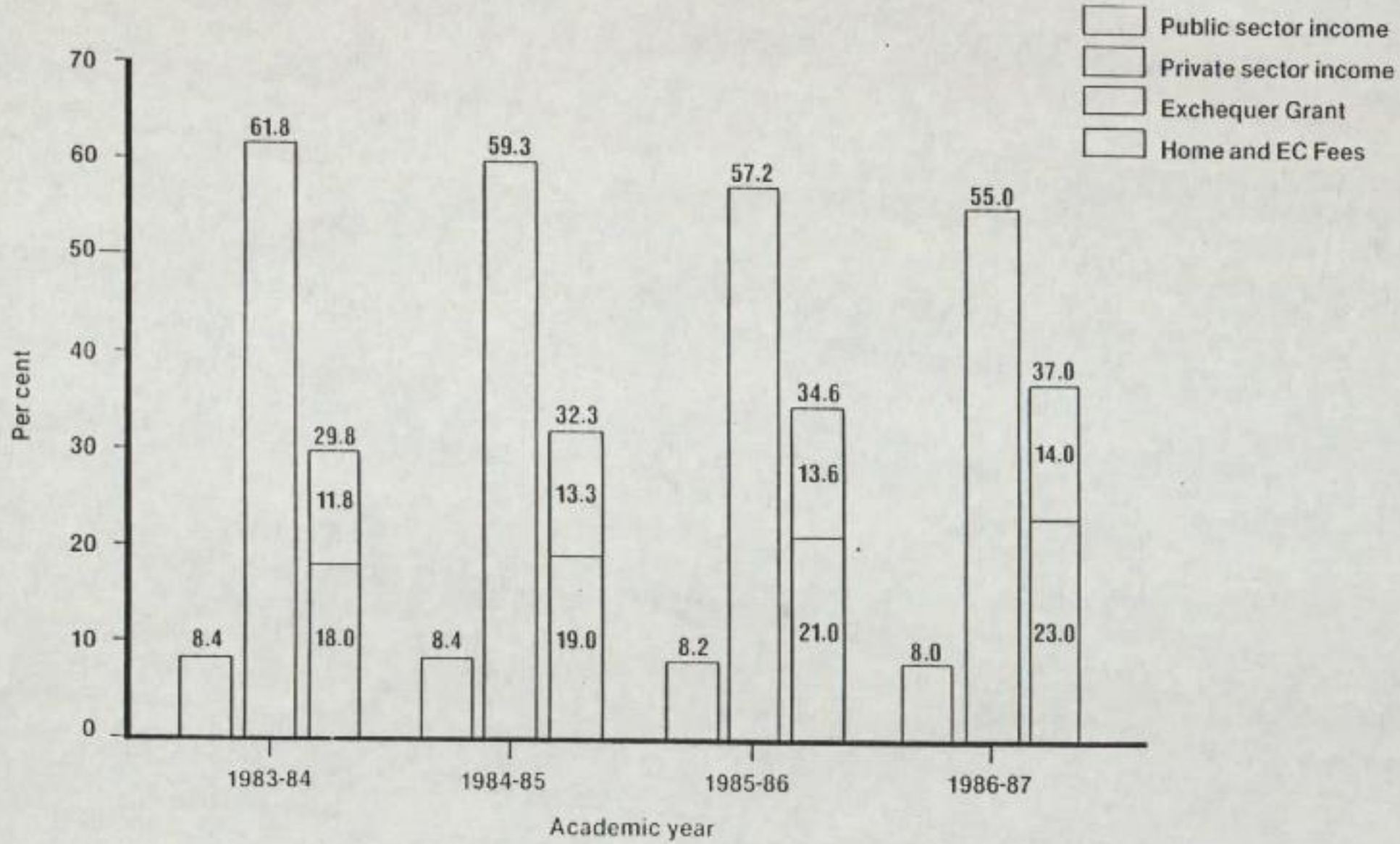
HIGHER EDUCATION

Current costs and student numbers index



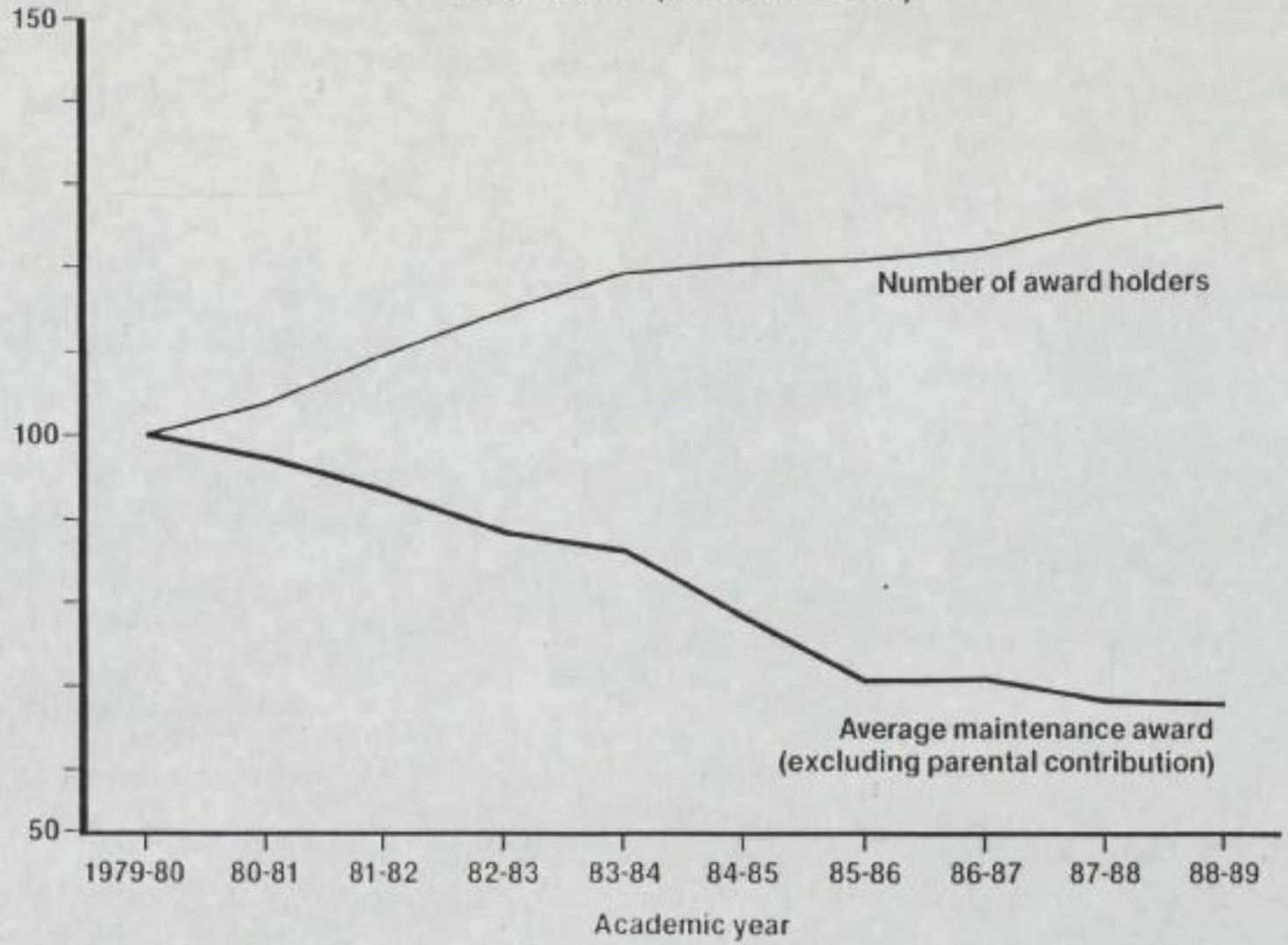
13

UNIVERSITIES INCOME



STUDENT AWARDS

Real terms (1979-80 = 100)



1989 TARGETS: SCHOOLS

1. National Curriculum
   - September 1989: All 5 to 14 year olds studying foundation subjects
   - Programmes of study and attainment targets introduced for maths and science at 5 and 11, and English at 5
2. Local management
   - Autumn 1989: schemes submitted
3. GM schools
   - September 1989: first GM schools established
4. City Technology Colleges
   - September 1989: Nottingham and Teesside to open

1989 TARGETS

Higher Education and Science

1. Introduce bill on student loans by November 1989

2. Achieve separation of funding of teaching and research

3. Reach decisions on future funding arrangements for higher education

(17)

cc BUp

PRIME MINISTER 10 January 1989

VALUE FOR MONEY SEMINAR: DES

It is important that tomorrow's meeting is more than a glossy slide show from the Secretary of State followed by a general discussion about performance indicators. Such a meeting could well leave the efficiency of the Department untouched!

Rather than trying to cover the whole of education and science, it would as the Efficiency Unit suggest be better to make headway on two or three specific issues.

1 Grant-Maintained Schools

The potential for these is enormous. Yet I doubt if the present organisation of the GM Trust is achieving maximum impact.

Personnel

The Chairman, Stephen Norris has just been re-elected as an MP. Unlike Cyril Taylor in the CTC Trust, he has over recent months, not been able to give the Trust his full attention. The Trust desperately needs a full-time charismatic leader. In addition Andrew Turner, the Director, is not nearly as strong as Susan Fey who directs the CTC Trust. VFM in this area will be held back with existing personnel.

Role of the Trust

I gather from people who were present at the press

conference which launched the Trust in July 1988, that the Trust sees itself merely as an advisory body or as a screening agency for the DES. Its stance tends to be reactive and passive. The fact that the Secretary of State recently announced that all schools seeking G-M status would be inspected by HMI and that G-M status should not frustrate rationalisation by an LEA has supported this view.

Yet surely the objective of the Trust should be to sell the concept of G-M schools, in exactly the same way that the CTC Trust has sold the CTC concept to sponsors. (It too could have stood back and waited for sponsors to come). The role of the Trust in being pro-active needs to be spelt out: VFM depends critically on it.

Criteria for Opting-Out

Because of LEAs declared hostility to the concept of opting-out they will use every conceivable tactic to frustrate it.

It is very important that parents are not discouraged from applying for G-M status because of what they perceive as an unholy alliance between the DES and the LEAs.

For example, one critical issue concerns rationalisation and school closures. The Secretary of State has stated "It remains firm government policy that authorities can and should continue to rationalise their provision. Opting-out is not intented as an escape route for unviable schools: if a school does not have a viable future as an LEA school, it is unlikely to convince me that it would become viable as a grant-maintained school."

Central to this statement is how to judge a viable school. In the past DES and HMI have used the requirement of the

curriculum to argue that a viable school is a large school. However, if schools in the same town were to specialise and students offered a somewhat restricted choice, the size of a viable school might be nearer 650 than 1000.

What is crucial is that the Trust helps the governors and parents of a school to consider imaginative ways forward, rather than have their legitimate expectations frustrated by the IEA. Again this is a case of the Trust needing to be directed in order to provide greater VFM.

R C Church and Opting Out

I enclose a most disturbing letter from the Head Master of the Cardinal Vaughan School showing how the Catholic hierarchy is frustrating opting out (with collaboration from others?) Once again if we wish the G-M Trust to be effective on a VFM basis it is critical that it takes the lead and counters opposition such as this.

Conclusion

In terms of the DES acting as a midwife for G-M schools, the personnel and the workings of the Trust need to be strengthened.

We need a rousing re-affirmation of the Government's commitment to opting out and a clear statement that opting out is not for the few, but for the many. Schools should be informed that unless there are extraordinary deficiencies (such as far too few pupils or qualified teachers, or disgraceful examination results), their applications have every chance of success. Certainly, a school's opting out should not be conditional upon LEA planners but parental choice.

As for HMI vetting, its task should be strictly limited, and

terms of reference published, viz, HMI will report, for the previous five years:

i the numbers in each class and in the school

ii the examination results

iii the number of teachers, and their qualifications

This would restrict the damage HMI could do to the application of a good school.

2 National Curriculum and Testing

It is important that this area of policy does not develop into a major industry.

- You may ask how many people currently in the Department are working on these issues? Has the size of the Department grown because of this? If not, what has contracted?

- How many people are currently employed by the Schools Examination and Assessment Council and the National Curriculum Council? What are their staffing plans? Could the DES place staffing limits on these bodies?

- What has happened to the size of HMI over the past two years? (Once again it is important HMI does not grow).

- Is the present method of examination and assessment just too complicated? (You may direct this question to Angela Rumbold as it is her area of responsibility and her reply should be interesting). Could we not get more VFM from a simplified system?

Parents can play a very important role in VFM, provided they

have the right information. (After all in the market the major custodians of VFM are consumers!)

- What is the DES doing to ensure that parents will be able to make an informed judgement on schools? - as the present curriculum, testing procedures etc are horrendously complicated.

3 Scrutinies

I am not sure a scrutiny of HMI timely. With the introduction of the National Curriculm and the establishment of CTCs and G-M schools, it could result in an expansion of the inspectorate. If this were to happen it would be a cruel blow to everything you have fought for!

One area deserving of scrutiny is the links which DES are attempting to establish between schools and industry. One comment I hear repeatedly within the business community is that because such links are also being established between schools and industry elsewhere (involving DTI and Department of Employment) these create confusion and considerable duplication in the response companies are expected to make. For example, a person visited by the Policy Unit in Southampton listed the following initiatives in his area.

Initiative	Lead Organisation/Funding Bodies
TVEI	Training Agency
LENS	Training Agency
CRAC	Training Agency/DTI/DES
UBI	Training Agency/DTI/DES
Compact	Training Agency/DTI/DES
EEI	DTI
SATRO	DTI
Industry Matters	DTI (Signposter)
Understanding Industry	DTI/DES
SCIP	DTI/DES/LEA
Schools Industry Liaison Officers	LEA
Careers Service	LEA
Young Enterprise	Private Sector
Chamber of Commerce School Prize Scheme	Private Sector

Greater coordination would almost certainly produce better results.

Yvonne Barker

pp BRIAN GRIFFITHS

CC PU

MAFF

Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

From the Minister

The Rt Hon John Major MP
The Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1

10 January 1989

Dear John,

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUND ACT 1973

file with PG

I have seen your minute of 20 December to the Prime Minister and very much support your proposal to extend the scope of the Government Trading Funds Act 1973 to bodies excluded by the present definition of "trading". This will provide a useful basis for fully commercial accounting for a wider range of Government activities.

I wonder however whether the specific proposals that you have in mind go far enough. Presumably your proposals would permit Trading Fund treatment for bodies engaged partly on commercial activities and partly on the regulatory functions which your minute described. That apart, I am thinking particularly of agencies or other similar bodies drawing finance for their activities partly from the private sector but partly from Departments on an arm's length basis. This is likely to be increasingly the case in the research and development area. It may be that you would consider that providing for agencies of this sort would stretch the scope of the 1973 Act too far but, if so, it will be very important to ensure that the Vote accounting arrangements for such bodies are adapted to provide as much as possible of the flexibility, and the discipline, of commercial accounting.

I have one other more technical comment on your proposals as regards borrowing. You suggest that for agencies which are conducting regulatory or other activities on behalf of their parent Departments it would be more appropriate for borrowing to be financed from votes rather than from the National Loans Fund. We do not fully understand the reasoning behind this. The essential role of borrowing for bodies of this kind (and particularly for bodies carrying out a mixture of regulatory and demand-led, commercial work) is to cover residual fluctuations between

/income and expenditure ...

GOV MACH: Rayner Pr 29

income and expenditure. This requires a flexible borrowing arrangement within an agreed limit, which does not appear to fit in too well with the usual Vote accounting arrangements. This aspect of the proposals seems to us to need further thought, before the proposed legislation is drafted. You will no doubt in any case be arranging for consultation on the detail of the proposals with interested Departments.

I am copying this letter to the Prime Minister, members of E(A) and Cabinet colleagues, Richard Luce, Sir Robin Butler and Sir Angus Fraser.

Yours ever,

John

JOHN MacGREGOR

CARDINAL VAUGHAN MEMORIAL SCHOOL

Addison Road, London W14

From the Headmaster

Telephone 01-603 8478

9th January, 1989.

Private & Confidential

Professor Brian Griffiths,
Head of Prime Minister's Policy Unit,
10 Downing Street,
London, SW1A 2AA.

Dear Professor Griffiths,

I write to seek your assistance with regard to some of the problems we are meeting as a result of our application to opt out.

On 24th November, 1988, on the occasion of our Annual Parents' Meeting, the Governors received a valid parental petition, signed by 332 parents, requiring the Governors to hold a secret ballot to enable the school, for which proposals have been published under section 13 of the 1980 Act, to seek grant maintained status. The Clerk to the Governors wrote to the Secretary of State, on 30th November, to inform him of this fact.

I have now formed the view that our Trustee, the Diocese of Westminster, is seeking to frustrate the parents' legitimate wishes and is failing to respond in the spirit of the Education Reform Act. It might be argued, indeed, that it is actually acting outside the boundary of the law. May I cite two examples ?

1. I enclose a copy of a "discussion paper", drafted by the Trustee's solicitors, which was circulated last term to Foundation Governors. There could be no clearer illustration of the efforts by the Trustee to frustrate the wishes of our parents and, if I might add, the will of Parliament. The Trustee is threatening not to appoint Governors, not to indemnify Foundation Governors and even to charge rent on grant maintained schools

2 The Trustee has, to date, failed to respond to the Chairman of Governors and to furnish that part of the information, the names and addresses of Foundation Governors,required by the Electoral Reform Society, prior to the ballot. Given such lethargy, I cannot see how the ballot can be held, as it should, by mid-February. It might be argued, moreover, that there is a plain connection between this lethargy and the Trustee's earlier threat not to appoint Foundation Governors.

We have recently heard that Cardinal Hume has had a private meeting with the Secretary of State. Given that our Diocese is now intimating that there is a political wish to please everybody, in the matter of our section 13 proposals, I personally believe and fear that Cardinal Hume and Mr. Baker have come to a private agreement - that in order to win over our parents and to dissuade them from proceeding with their application for grant maintained status there will be an early determination

of our section 13 proposals in favour of our retaining our Sixth Form.

The fact is, however, that our application for grant maintained status is motivated not only by a passionate desire to retain our Sixth Form but also by a legitimate desire for greater independence. We know we are equal to the challenge. The excellence of our record, our commitment to the Catholic ethos of our school and, not least, our proven ability annually to raise thousands of pounds by our private efforts, convince me we can do even better in the future.

I should be most grateful if you would consider conveying the contents of this letter to the Prime Minister. With time running out, I fear that the Catholic hierarchy may continue to frustrate, by fair means or foul, not only our efforts but also those of all Catholic schools to opt out.

Yours sincerely,

Anthony Pellegrini

A.S.J. Pellegrini.

THE POSITION OF GOVERNING BODIES SEEKING GRANT MAINTAINED STATUS FOR THEIR SCHOOLS AGAINST THE WISHES OF THE TRUSTEE

The Governors of a Grant Maintained school are required to perform a large number of tasks similar to those required from a board of directors of a medium sized company. Unlike most directors, however, the governors will not receive any payment for this work. Existing voluntary aided school governors have fewer tasks than their grant maintained school colleagues but even with those tasks voluntary aided school governors receive considerable support from their schools' LEAs. Grant maintained school governors will be entitled to little such support.

Existing voluntary school governors know that they will be indemnified by the Diocesan Trustee against liability in those cases where the LEAs are not required to assist: for example, wrongful dismissal and uninsured negligence cases come to mind. Such indemnity may well apply (depending upon budgetary arrangements) to grant maintained school governors where the Grant Maintained school is established with the approval of the diocese. Where a Grant Maintained school is established without diocesan approval it is clearly not appropriate for such indemnity to be given to the governors of such Grant Maintained schools.

The Trustee has, as one of its charitable objects, the furtherance of education within a Catholic context. The Trustee having taken professional, pastoral and episcopal advice as well as consulting with a large number of schools' staffs and parents has properly formulated a policy for the furtherance of that charitable object. It follows that in civil law the Trustee would be acting in a way detrimental to its charitable objects if it were to consent to the establishing of a Grant Maintained school whose creation would undermine that very policy. Equally it would be wrong for the Trustee to set aside its funds to be used for the purposes of supporting the governors of such a Grant Maintained school.

It is important to be aware also that despite the incorporation of the governing body under the Education Reform Act of 1988, the legislation does not of itself exclude personal liability for individual governors.

In these circumstances, the Trustee, to whom the law gives the power of appointing Foundation Governors, could decide as a matter of policy that it could not properly nominate and appoint its own Foundation Governors to a school acquiring Grant Maintained status against its wishes. If the school were to nominate individuals then the Trustee could as a matter of policy decide to acquiesce in these nominations only if:-

1. the appointments were made without prejudice to the Trustee's view that the occupation/management of the school by the whole governing body (or any of them) on the Trustee's property was without the Trustee's consent despite those appointments;

2. the appointments were legally necessary to allow the school to continue to operate within the law;

3. the individuals themselves accepted that unlike their approved voluntary aided school governor colleagues, they would not be entitled to the benefit of financial and other support from the Diocese, because their Grant Maintained governing body was coming into being without the consent of the Diocese.

The Trustee like any charity Trustee must protect its charitable endowment. For Grant Maintained schools this will probably be done by the creation of leases of the Diocesan premises from which the schools are run at rents the levels of which will be determined, inter alia, with regard to whether or not the Grant Maintained school is being established with the consent of the Diocesan Trustee.

The Trustee would retain the right to seek and support the continued Catholicity of the school by way of regular contact and visitation.

---oOo---

cc PU

cc PUP

PRIME MINISTER

DEPARTMENT OF EDUCATION AND SCIENCE
VALUE FOR MONEY SEMINAR - 11th JANUARY 1989

You last held a value for money seminar on the DES in January 1987. At that time the Department was involved in preparing the Education Reform Act. Kenneth Baker will probably wish to open by discussing progress on the ERA. Nigel Wicks's note of the 1987 discussion is at Annex D.

This seminar will be an opportunity to explore how far the DES is planning and implementing the management change necessary to ensure that the major changes in education policy which are under way take effect and produce the results aimed for. Your last seminar with Kenneth Baker emphasised the importance of the Department having a clear idea of the outputs it was getting from the money spent on education.

Our main concern with DES is that in managing the introduction of new policies they concentrate too much on intermediate processes rather than deciding what specific results they are aiming for and how these are to be achieved. For instance, a lot of work has been done on attainment testing but are the targets being set high enough to bring about a real improvement in standards? In further education what specific results does the DES want the new further education councils to achieve? Similarly does the Department have a firm policy on the outputs it should receive from the money spent on science?

At Annex A I have set out the main issues in greater detail. At Annex B is the key financial information about the Department and at Annex C a number of specific questions for you to ask.

In the discussion it would be helpful if you were to emphasise:

- The need for specific targets which will demonstrate that the purpose of the reforms is being achieved, for example an increase in the success rate at GCSE

- The importance of managing the implementation process through to final results, for example the setting of milestones for the implementation of the national curriculum and attainment testing

- The need to use performance indicators as a matter of urgency to achieve improvement in individual schools and LEAs.

- The use of scrutinies to look at areas where major change is proposed to ensure that implementation is planned and managed effectively, for example the organisation of student loans.

Angus Fraser
6th January 1989

Annex A

The Department of Education and Science

Total expenditure on education and science amounts to £18 billion p.a., split £11 billion to schools, £5 billion to further and higher education (including £600 million by the Universities Grants Committee on science) and £700 million by the Research Councils.

A major change which the department will have to allow for over the coming years will be the demographic changes in the numbers of children and students. In 1995 the number of eighteen year olds will be nearly two thirds the number in 1983 (580,000 compared to 850,000). This will have a major impact not only on the DES but also on future employment patterns.

Activities of the Department can be considered in three areas: schools, higher and further education, and science.

A SCHOOLS

The devolution of budgeting to schools, the widening of parental choice and allowing 'money to follow the child' are all factors which should result in better education and greater efficiency but the DES has a major role to play in ensuring success of the ERA and the achievement of better value for money. Key areas are:

1) Internal Organisation

Prior to the ERA the DES concentrated on policy matters with the LEAs being responsible for direct administration. But with the ERA the Department will become responsible for more executive functions. These include the approval of applications for schools to become grant maintained and, when successful, monitoring them. The Department will also have responsibility for running the City Technology Colleges. The DES needs to be correctly organised to handle these new roles.

2) Local Education Authorities

The LEAs will, however, still be responsible for the majority of all expenditure on schools. This leads to the question of how the Department can influence what the LEAs and individual schools should be doing. In particular, does the DES have clear cut objectives and targets for the LEAs and how will it know whether these are being achieved?

LEA's.

As more responsibility is assumed by the centre and local schools, the work load on the LEAs should decrease. The DES needs to ensure that such a decrease will actually occur and that less resources are used by LEAs to match the reduction in activity.

3) Monitoring improvements in results

The Department has set itself targets in various areas like the success rate at GCSE for school leavers, percentages of pupils passing exams in maths, physics and languages and numbers of teachers etc. The setting of a national curriculum with attainment testing at various ages will indicate how pupils are progressing during their time at school. These targets, objectives and output measures are useful, indeed vital, but the Department needs to consider now how it will use them and how it will take corrective action if the targets are not being met.

Since the last VFM seminar the Department has done some useful work in devising performance indicators for assessing local schools but progress on using them has been slow and only this year is a pilot programme being introduced in certain areas. There needs to be faster progress in this area and, as with output measures, the Department needs to consider now how it will be using the performance indicators. For instance, will it try to identify those factors which make good schools so that the lessons can be transferred elsewhere?

4) 16-18 Year olds

One of the targets mentioned at the last seminar was an increase in the number of pupils staying on at school beyond the age 16. However, it is still not particularly clear what the objectives are and who is responsible for training and education at the 16-18 level. Is it the DES, DTI or the DEm? Indeed who are the customers? Is it the pupils or potential employers?

Planning in this area needs to take account of the demographic reduction in the number of 18 year olds between now and 1995.

B HIGHER AND FURTHER EDUCATION

Higher education is the next area where the DES will be looking at policy in detail, with the subjects covered including participation rates, types of degree and financing. The participation rate in the UK is poor in comparison with other countries.

The ERA will result in the creation of the Polytechnics and Colleges Funding Council (PCFC). Both this council and the Universities Funding Council (UFC), which will replace the University Grants Committee, will be spending substantial amounts of money and the Department needs to set clear objectives as to how the money will be spent. It also needs to ensure that both councils have a clear task to improve value for money.

Announcements have recently been made on student loans. The Secretary of State may be able to advise on what progress is being made in this area and how the scheme will be implemented.

C SCIENCE

Expenditure on civil science currently amounts to around £1.3 billion with £700 million being spent by the Research Councils and £600 million of expenditure by the UGC being related to science. The Department has been looking at performance indicators for the science base and all the Research Councils will be reporting on a common basis this year.

Does the Department have clear objectives for the money it spends on science and how will it assess whether the money it spends will achieve the objectives? At present, funding for science is made via two organisations, the Research Councils and the UGC. The Secretary of State may have comments on plans to change the way science is funded with all money being channelled via the Research Councils.

Much of the DES expenditure on science ties in with the aims of other Government Departments (for instance, research on Aids with the Department of Health; and the the work of the AFRC and NERC with the MAFF and DOE respectively). The DES needs to maintain close contact

with other Departments to ensure that research is being directed to the right areas.

D AGENCIES/SCRUTINIES

The DES's record on scrutinies is not good. The last one was carried out two years ago (on reducing places at schools) and none is currently planned. With so many changes taking place, now would be a good time to relaunch the scrutiny programme within the DES.

The DES is not in the forefront of setting up agencies, given the limited executive functions handled by the Department. A study is currently under way to see if the pension operation could become an agency, possibly including similar functions from other Departments.

Annex B

DEPARTMENT OF EDUCATION AND SCIENCE

A EXPENDITURE	1987/88	1988/89	1989/90	1990/91	1991/92
			£m		
Schools	10479	11341	11780	12190	12560
Higher & Further Education	4936	5214	5713	5920	6030
Miscellaneous	1008	1138	1241	1290	1330
Research Councils	658	719	838	840	860
	17081	18411	19571	20240	20770
Central Government	2694	2970	4277	4400	4460
Local Authority	14387	15441	15294	15840	16310

B DEPARTMENTAL RUNNING COSTS					
Costs £m	58.3	66.1	74.2	76.7	78.4
Manpower	2464	2562	2575	2570	2565

C PRIMARY AND SECONDARY SCHOOLS					
Pupil and Teacher Numbers			'000		
Under 5s	532	547	558	568	583
Primary	3359	3415	3467	3499	3516
Secondary	3070	2922	2821	2791	2811
Special Schools	100	98	97	96	96
Total	7061	6983	6943	6954	7006
No of Teachers (P & S Schools)	400	397	394		
Pupil/Teacher ratio	17.3	17.1	17.0		

D HIGHER EDUCATION

Number of Students

	1987/88	1988/89	1989/90	1990/91	1991/92
HOME			'000		
Universities	261	267	271	273	272
Public Sector Higher Education	242	244	249	250	248
Total	503	511	520	523	520
OVERSEAS STUDENTS	58	61	62	63	63
TOTAL	561	572	582	586	583

E SCIENCE

Expenditure by research councils

	£m 1988/89
Agriculture and Food Research Council	61
Economic and Social Research Council	28
Medical Research Council	150
Natural Environment Research Council	92
Science and Engineering Research Council	369
Others	9
Total	709

Annex C

QUESTIONS

A SCHOOLS

Grant maintained schools

How will the DES handle applications for grant maintained status given the uncertainty over numbers?

What criteria have been set for approving or rejecting applications?

What systems are planned for managing the schools?

Targets and Performance indicators in schools

What progress has been made in the first 2 years? What is the result? What improvements are planned for the use of performance indicators?

16-18 year olds

What objectives does DES have for 16-18 year olds? How do these tie in with the objectives of DE and DTI?

B HIGHER AND FURTHER EDUCATION

What objectives and targets have been set for the PCFC and UFC?

There is a downward trend in the percentage of university expenditure that is centrally funded, and Kenneth Baker's recent speech at Lancaster indicated that the trend will continue. Does a target exist for what the ultimate percentage should be, and how it should be met?

C SCIENCE

What does DES see as the ouputs from the expenditure on Science?

D SCRUTINIES/AGENCIES

What plans does the Department have for agencies - for example the Pensions organisation in Darlington, or the HMI?

What about scrutinies? Is the organisation of HMI a suitable topic?

DES general file
Annex D.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

26 January 1987

Dear Rob,

VALUE FOR MONEY IN THE DEPARTMENT OF EDUCATION AND SCIENCE

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

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

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

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

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

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

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

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

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

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

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

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

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

Yours ever
Nigel Wicks

(N. L. WICKS)

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

MO 20E

NBPM
PRCG
10/1

CHIEF SECRETARY

NEXT STEPS AGENCIES : AMENDMENT TO THE TRADING FUNDS ACT 1973

Thank you for sending me a copy of your minute to the Prime Minister of 20th December on this subject. I welcome the proposals in your minute. Given the implications for the MOD candidate agencies which are currently being considered, I should be grateful if I and my officials could be kept in touch with the detailed content of the proposals, as they are developed.

2. I am sending copies of this minute to those who received yours.

G.H.

Ministry of Defence
6 January 1989

Govt Mach - Rayne Pt 29

10 DOWNING STREET

Prime Minister

(i) It will be essential keep Mr Baker on issues of management and effectiveness and not allow him to escape onto the easier ground of policy development. He has already been warned that you do not want to discuss proposals for teacher training and university funding.

(ii) Two years ago the record of the meeting said that Mr Baker's presentation focussed too much on inputs and not enough on outputs. – see Annex D. Will he be any better this time?

AT
6/1

P.S. Also enclosed is a note by Brian Griffiths.

SECRETARY OF STATE FOR ENERGY
THAMES HOUSE SOUTH
MILLBANK LONDON SW1P 4QJ
01 211 6402

The Rt Hon John Major MP
Chief Secretary to
The Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

5 January 1989

Dear John,

NEXT STEPS AGENCIES: AMENDMENT OF THE TRADING FUNDS ACT 1973

I am sure the proposals in your minute of 20 December to the Prime Minister are a useful reform. They should enable a more appropriate financial regime to be devised for many prospective agencies.

However, if the additional flexibility available from trading fund status is to prove effective, you may need to look again at your intention to fund borrowing by agencies from parent departments' Votes, rather than from the National Loans Fund. I can see that this proposal is consistent with parent departments' overall responsibilities for agencies under their control. But my Department's experience with funding British Coal's loans on Vote shows that problems can arise - eg in coping with the need for advance authorisation of daily cash requirements. Financing borrowing via Votes needs to be made more flexible, with the possibility of borrowing limits being raised swiftly if necessary (as is the present case with borrowing from the National Loans Fund).

I am sending copies of this letter to the Prime Minister, to members of E(A) and Cabinet colleagues, to Richard Luce, and to Sir Robin Butler and to Sir Angus Fraser.

Yours ever,

Cecil

CECIL PARKINSON

cc PU.

DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

My ref: C/PSO/14600/88

Your ref:

MBPM & Ministers
ARCG
4/1

The Rt Hon John Major MP
The Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1

3 JAN 1989

Dear John,

NEXT STEPS AGENCIES ; AMENDMENT OF THE TRADING FUND ACT 1973

file with PS

I have seen your minute of 20 December to the Prime Minister, which I warmly support.

As you know, it has for some time been a source of frustration to us that we cannot give Vehicle Inspectorate a fully commercial accounting framework because of the technicality that it is not "trading" as the lawyers define it. While considerable progress has been made in developing the Memorandum Trading Account as an instrument of management control, it will undoubtedly enhance both the clarity and consistency of control systems and the scope for efficient management of funds, to go the whole way to a fully commercial accounting system, as your proposed amendment will allow. It is clear that there are other fee-earning executive functions which would benefit from similar treatment, including some within my own Department.

I very much hope that it will be possible to find an early slot for the necessary legislation, which will be a very positive and significant development of the "Next Steps" initiative.

I am copying this letter to the Prime Minister, E(A) and Cabinet colleagues, Richard Luce, Sir Robin Butler and Sir Angus Fraser.

Yours

Paul

PAUL CHANNON

Gov't MACH: Rayner A29

file GAn

ccPU

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 December 1988

Dear Neil

DEREGULATION ROLLING REVIEW PROGRAMME

The Prime Minister was grateful for your Secretary of State's minute of 20 December and has noted the programmeof work now being put in hand.

I am copying this letter to the Private Secretaries to members of the Cabinet, and to members of MISC 133, to John Sawers (Minister of State's Office, Foreign and Commonwealth Office), Trevor Woolley (Cabinet Office) and to Kate Jenkins (Efficiency Unit).

Yours

Paul

PAUL GRAY

Neil Thornton Esq
Department of Trade and Industry

dti

the department for Enterprise

PRIME MINISTER

DEREGULATION ROLLING REVIEW PROGRAMME

We agreed in July that the revision of existing requirements and regulations to minimise their impact on business would benefit from being organised in a more systematic manner. As a result of this, we agreed that MISC 133 should institute a rolling programme of deregulation reviews, with each Department nominating at least one area of its work relevant to business for examination in each programme.

Francis Maude has since consulted with his colleagues on MISC 133 and drawn up a list of proposals for the first round of the programme. I attach a copy of the list of these proposals agreed by MISC 133 colleagues for circulation to Departments.

I shall report to you in June 1989 on the outcome of this first programme, with the results or a progress report where appropriate.

The Enterprise and Deregulation Unit have, as agreed, been in close touch with your Efficiency Unit in determining the method for these reviews, and to ensure that there is no duplication of areas to be tackled.

PS2BRR

dti

the department for Enterprise

I am copying this letter to Cabinet colleagues, to members of MISC 133, to Lynda Chalker, to Sir Robin Butler and to Sir Angus Fraser.

D Y

20 December 1988

Department of Trade and Industry

886-273

PS2BRR

FIRST ANNUAL ROLLING REVIEW PROGRAMME

MAFF

(i) Compulsory Dipping of Sheep against Sheep Scab

This will consider the burden to farmers and possible alternatives to compulsory dipping whilst maintaining adequate control over the disease.

(ii) Enforcement of Fruit and Vegetable Marketing Standards.

Review of the EC regulations laying down marketing standards for fruit and vegetables and their impact on UK traders.

HM Customs & Excise

(i) VAT Second-hand Schemes

VAT is paid on the margin between the selling and purchase price with second-hand schemes. The review will examine ways of reducing the record-keeping requirements.

(ii) Export Data Capture

The review is to examine increasing direct trader input of export data in Customs computers to bring it into line with import systems.

DE & HO

(i) Work Permit Scheme

To ensure that the rules and operation of the scheme enable business to hire overseas non-EC staff with the minimum safeguards for the employment of resident labour and for immigration control.

DOE

(i) Special Industrial Use Classes Order Part II

To review the Special Industrial Use Classes, which is a disparate industry group including chemicals, petrochemicals and animal by-products with a view to rationalising the classifications.

DH

(i) NHS Standard Conditions of Contract

To overhaul Health Authority procedures for tendering and contracting, with particular reference to extending competition and to following best procurement practices.

(ii) NHS Supplies

To streamline the NHS approved supplier/contractor system, under which at present each regional NHS Authority conducts its own separate vetting and appraisal.

HO

(i) Data Protection Act

Review of implementation of the Data Protection Act 1984, with particular regard to the impact on data users of the registration requirements.

(ii) Business Licences

Review of the administration of the business licences for which the HO is responsible.

Inland Revenue

(i) Communications with Employers on PAYE

Full scrutiny-style review of <u>all</u> communications with some 1.2 million employers on PAYE, eg beginning and end year documents, start and termination of PAYE schemes, etc.

OMCS

(i) Forms

The need for such a review arose because the number of forms issued to business had begun to increase again (after some 3,500 had been abolished in the 5-year period 1982-7).

DSS

(i) Enquiries of Business

To draw up a programme for simplifying the way in which social security information is obtained from employers, and for dropping outdated requirements.

DTp

(i) HGV & PSV Operator Licensing

To consider the scope for reducing the burden imposed by operator licensing on goods and passenger vehicle operators.

DTI

(i) Steel Scrap Export Licensing

(a) Ferrous Scrap

To review the need for export licences for all grades of steel and non-alloy scrap. No licence has been refused since the Regulation was introduced.

(b) Control of Stainless Steel and High Alloy Scrap Exports

To review the continuing need for an early 1980's agreement between DTI and the steel industry giving BSC first refusal on all supplies.

(i) Regional Selective Assistance

To consider the possibility of a shortened and simplified offer letter for smaller cases and the extent to which payment and monitoring procedures can be simplified.

(iii) Insurance

To review the data collection requirements of this area with a view to eliminating those which are unnecessary while making the essential compliance, collection and use of data as cost-effective as possible.

(iv) Copper Scrap Quotas

To prepare the case for the removal of the annual quota imposed by the EC on copper exports.

(v) Export Procedures Review Implementation (with C & E and MAFF).

To implement the recommendations of the EDU's Export Procedures Review.

HSE

(i) Factories Act Section 139

To review the need for employers to post copies of health and safety regulations and notices at workplaces, with a view to amendment or repeal of s.139 of the Factories Act 1961.

EDU

(i) Business Licensing

Review of the administration of business licences.

(ii) Fire and Building Review

Review of overlap of building control and fire regulation, the way the legislation is implemented and the requirements for consistent enforcement.

Luce/drafts/1.12

cc PU

B/F Thru with any comments

FROM: CHIEF SECRETARY
DATE: 20 December 1988

PRIME MINISTER

NEXT STEPS AGENCIES : AMENDMENT OF THE TRADING FUNDS ACT 1973

I am writing to propose that, subject to our future legislative priorities, we should legislate to extend the Government Trading Funds Act 1973 so that in suitable cases Next Steps agencies could have financial regimes modelled on trading funds. This would give them greater budgetary freedom and flexibility than is normally available under Parliamentary Supply procedures while maintaining a sound basis for financial control. Legislation is necessary because the 1973 Act limits trading funds to bodies which involve "trading" in a legal sense. This excludes bodies providing services under a statutory obligation and with regulated prices. Some Next Steps agencies operate under market conditions and will satisfy the requirements of the 1973 Act - for example HMSO which the Chancellor has just announced as the third Next Steps agency already has a trading fund. But for others some extension of the statutory criteria is necessary before trading fund treatment could be granted.

2. If you and colleagues are content with the policy, I shall bid for a short Bill in the 1989-90 Session.

3. It is clear that the normal supply and expenditure arrangements will provide a suitable framework for many agencies, particularly if the various flexibilities available including recent enhancements are fully and properly used. However, I believe there are a number of activities which are demand-led, financed in full from receipts and which will be able to demonstrate greater efficiency gains by operating under a fund arrangement. The commercial accounting framework of a fund would increase the scope for efficient cash and asset management by providing the full range of flexibilities normally available in commercial operations. In particular, there would be greater ease in dealing with cash flows between financial years, and powers to borrow or create reserves under proper controls.

4. Each case would be considered on its merits and we cannot at present estimate the number of cases in which a trading or "agency" fund would be necessary for extra efficiency. But both Richard Luce and I are satisfied that the scale will prove sufficient to justify seeking extended powers from Parliament. The Vehicle Inspectorate - the first agency - is an example where we have already recognised in the policy and resources framework that a trading fund regime would be desirable.

5. The main amendment we have in mind would extend the present enabling power to agencies which satisfy the present criteria in all respects except that they exercise a monopoly (e.g. in Government regulatory or registration work) and are not therefore regarded legally as trading in an open market. Otherwise, the basic approach of the present Act would be maintained: current expenditure would generally be financed from revenue without recourse to Votes; the body would need to break-even taking one year with another, including, for example, recovering pension costs; the powers in the Act to set further financial targets would ensure recovery of full economic costs; and any reserves created would be subject to existing statutory controls. Publication of full audited reports and accounts would continue to be required.

6. We do, however, intend one significant change in the provisions for borrowing which, under the present Act, is always from the National Loans Fund. For agencies which are conducting regulatory or other activities on behalf of their parent departments we think it would be more appropriate for borrowing to be financed from Votes. This would clarify the responsibilities of departments and, we suspect, make the proposal more acceptable to Parliament.

7. We shall consider further various other important details - for example the exact criteria for qualification, the types of receipts that might be allowed agency fund treatment; and means of ensuring that we can continue to monitor and account for the cost of the Civil Service as a whole.

8. The original Trading Funds Act was welcomed by Parliament and I would expect this extension of it to be seen as a desirable development of the Next Steps initiative that you announced earlier this year, though it would be prudent to consult before introducing the Bill.

9. Richard Luce is content with my proposal and has kindly agreed to lend his support in Bill proceedings. If you and colleagues are content with this policy development I will pursue the legislative possibilities with QL. Subject to further consultation with the Lord President and Richard Luce, I see merit in announcing quickly our intention to seek these extended powers in terms which would not prejudice the exact timing of legislation.

10. I am sending copies of this minute to E(A) and Cabinet colleagues, to Richard Luce and to Sir Robin Butler and Sir Angus Fraser.

JOHN MAJOR

Carolyn - Sinclair
Nancy Monk. useful
annotation to have.

cc CF file

PAUL GRAY

PRCB
16/12

16 DECEMBER 1988

VALUE FOR MONEY IN THE POLICE FORCE

Although the Home Office could not immediately tell me of any occasions when their Ministers had spoken of the need to secure better value for money in the police force, Nick Sanderson subsequently wrote to me on the lines of the attached.

You will see from the Annex that all the references to the need for value for money were made in speeches by Home Office Ministers to the police. Brian Mower confirmed that none of these had been press released. Only one of them specifically mentioned the work of the Audit Commission.

It is obviously right that Home Office Ministers should regularly speak to the police about the need for efficiency and economy. But I do not think that speeches in this closed environment meet the need for the Government to be seen to be attaching importance to this issue.

I draw this correspondence to your attention in case Nick Sanderson raises it with you following your recent letter.

CAROLYN SINCLAIR

HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

December 1988

Dear Carolyn

VALUE FOR MONEY IN THE POLICE FORCE

You spoke to me about this subject earlier this week, having seen my recent letter to Paul Gray, and asked about the occasions on which Ministers had spoken publicly about the need for greater efficiency in the police force. It is, in fact, a theme that occurs in almost every speech which Home Office Ministers make about the police, whether at gatherings of policemen or more generally. I enclose some extracts from major speeches by the Home Secretary, Mr Hogg and Lord Ferrers at which value for money has been one of the themes. There are, of course, many other occasions on which this theme features.

We always try to get press interest in Ministers' remarks on value for money, whether in speeches or other announcements. I attach a recent lengthy article from the Daily Telegraph which was inspired by Home Office briefing.

Please let me know if you need to know more.

Yours ever
Nick Sanderson

N C SANDERSON

Miss Carolyn Sinclair
No 10 Policy Unit

Annex

References to VFM in Ministers' speeches to or about the police service

A.	HOME SECRETARY	-	Speech to ACPO Summer Conference 10 June 1986
B.	MR HOGG	-	Speech to Senior Command Course Bramshill 23 September 1987
C.	HOME SECRETARY	-	Speech to Police Foundation 11 April 1988
D.	LORD FERRERS	-	Speech at Chief Constables' Club Annual Dinner 12 May 1988
E.	HOME SECRETARY	-	Speech to Police Federation Conference 18 May 1988
F.	LORD FERRERS	-	Opening Address to ACC/AMA Seminar on Civilianisation 24 June 1988
G.	HOME SECRETARY	-	Speech to Police Superintendents' Association Conference 20 September 1988
H.	HOME SECRETARY	-	Speech to Senior Command Course Bramshill 22 September 1988
I.	HOME SECRETARY	-	Speech to Metropolitan Police Federated Ranks 19 October 1988.

Prime Minister ? ECP (letter only)

FRCG 14/12

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

13 December 1988

PS/Minister of State
Privy Council Office
Whitehall
LONDON
SW1A 2AT

Dear Eleanor

LAUNCHING OF HMSO AS AN EXECUTIVE AGENCY

In accordance with the Government's commitment of last July, HMSO is being established as an Executive Agency on Wednesday of this week, 14 December. A copy of the Framework Document is attached.

HMSO's agency status will be announced by means of a Written Parliamentary Answer on Wednesday, and the Economic Secretary will be holding a special Press Conference at HMSO's Nine Elms Publications Centre.

The Framework Document includes a Foreword by the Chancellor. As this makes clear, HMSO has operated on a commercial basis since its establishment as a Trading Fund in 1980 and 'untying' in 1982. It therefore already enjoys substantial managerial freedoms. These freedoms will now be further enhanced, and HMSO will be expected in return to achieve progressively more demanding financial and performance targets. The Foreword also underlines the strength of the Government's commitment to the Executive Agencies initiative.

The main novel features in the Framework Document which are likely to attract interest are:

(a) a more flexible pay and grading structure, which represents a more fully performance-related system than has so far been attempted elsewhere in the Civil Service;

(b) progressively more demanding financial objectives, to be expressed in terms of annual profit and performance targets set by Treasury Ministers;

(c) the possibility of an extended customer and product base;

(d) provision for up to three non-executive directors on HMSO's Board.

A new Treasury Minute, also to be laid on Wednesday provides for HMSO progressively and substantially to increase its annual profits over the next five years.

In presenting the launch, the Economic Secretary proposes particularly to emphasise the new flexibility on pay and grading and the progressively more demanding profit and performance targets. He intends to make clear the importance the Government continues to attach to the Executive Agencies initiative. In reply to likely questions about privatisation, Treasury Ministers propose to stick with the line in the Chancellor's July Written Answer that the Government has no present plans to privatise HMSO.

Agency status will not directly affect HMSO's dealings with Departments as partners or customers. As noted in the Chancellor's Foreword, Departments have been free since 1982 to choose whether or not to use HMSO's services. HMSO will continue to compete with other suppliers of such services. The non-exclusive supply and service agreements which most Departments have with HMSO, as recommended by the Central Unit on Purchasing, will not be affected.

I am copying this letter and the Framework Document to the Private Secretaries to the Prime Minister, Ministers in charge of Departments and to the Private Secretary to Sir Robin Butler.

Yours,

Moira Wallace

MOIRA WALLACE
Private Secretary

File

PRIME MINISTER

THE AUDIT COMMISSION AND THE POLICE

Last month you agreed, in response to a note from Carolyn Sinclair, that I should write to the Home Office recording your wish that Home Office Ministers should take opportunities to emphasise the importance of Value for Money initiatives in the Police Service - particularly those stimulated by the Audit Commission. My letter is at Flag A.

The Home Office have now responded with a long letter (Flag B), most of which is concerned with initiatives other than those by the Audit Commission.

Carolyn Sinclair's further note (Flag C) is critical of the Home Office response which she describes as "waffle". She provides evidence that the Home Secretary's commitment thus far to improve police Value for Money has been, at best, luke warm. And she recommends that it would be worth reiterating the importance you attach to this area, and specifically urging the Home Secretary to pick up this theme when he addresses the Policy Studies Institute in January.

Content that I should minute out in the terms suggested by Carolyn Sinclair?

PRCG

PAUL GRAY
9 December 1988

DS3AFB

Prime Minister
I have asked that you should be informed of the outcome of the Scrutiny into Sponsored Visits.

Report on "British Council Corporate Plan 1989/90 to 91/2" in attached folder.

Foreign and Commonwealth Office
London SW1A 2AH

CONFIDENTIAL AND
MANAGEMENT: IN CONFIDENCE

1 December 1988

N.L.U
2.12

Dear Nigel,

FCO Value for Money: Sponsored Visits

Thank you for your letter of 29 November recording the discussion at the Prime Minister's Value for Money Seminar on 28 November. In the light of the Prime Minister's comments about the sponsored visits programme, I thought it would be useful to set out details of the money spent and what it buys.

The Conservative Party manifesto for the 1987 election said: "We will bring more young people from Commonwealth and other countries to train and study in Britain". This year, the British Council will spend £136 million on bringing over 30,000 people to Britain for study, training and exchanges (I enclose a detailed table setting out the categories of visitors and the number handled). Of the total amount spent, 15% comes from the Council's own resources and a further 11% from foreign governments paying for visits to be arranged for their own nationals. However, the lion's share (74%) goes towards programmes arranged on behalf of the Diplomatic Wing and the ODA. For example, this year some £91 million will be spent on awards forming an integral part of our aid programme, subject to the closest monitoring and scrutiny.

The inward exchange programme is therefore closely meshed into the Government's overall objectives of extending our influence abroad. In the first place it creates a network of present and future leaders with a deeper knowledge and understanding of the UK (it is significant that the French and Germans spend several times as much as we do on such activities). But the programme is also good business. Foreign Governments and international organisations pay almost £15 million a year to participate, while overseas students alone generate some £1 billion per annum in balance of payments benefits.

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MANAGEMENT: IN CONFIDENCE

As the attached Corporate Plan shows, under their new Director-General, the British Council have taken great strides in improving their management and working methods. In particular, they have embarked with enthusiasm on the current Efficiency Scrutiny. Consequently we are confident that their activities, and in particular the operation of the visits programmes, are sharply focussed and fully integrated into the Government's overall policies.

I am sending a copy of this letter to Kate Jenkins in the Prime Minister's Efficiency Unit.

Yours,

Stephen Wall

(J S Wall)
Private Secretary

N L Wicks Esq CBE
10 Downing Street

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MANAGEMENT: IN CONFIDENCE

ANNEX A

INWARD EXCHANGE PROGRAMMES ADMINISTERED BY THE BRITISH COUNCIL IN APRIL 1988/89

	No. of people 88/89	£m
British Council Visitors and Study tours	4025	7.5
Senior academic and professional visitors to Britain with programmes organised by the Council and typically lasting one or two weeks. Visits are arranged on an individual or group basis. The Council contributes part of the cost of these programmes and in some cases charges an administrative fee.		
British Council Fellowships	1622	6.2
Scholarships for periods of academic study at postgraduate level in British institutions of higher education from six months to three years. The value of the award varies from a prestigious full scholarship to a grant-in-aid. Most of the costs, especially in the developed world, are met by the Fellows.		
British Council Courses and Summer Schools	1632	3.3
Short courses which enable selected overseas specialists to study recent developments in Britain. The majority of participants come from Western Europe. Summer schools are organised each year to enable practising teachers of English to improve their skills. The largest group of participants is from Eastern Europe. The Council's second Corporate Plan will include targets to place all British Council courses on a cost-recovery basis.		
Other Training and Professional Visits to the UK	1111	2.4
Mainly short-term visits to the UK by Senior Academics designed to establish links between universities or departments. Also some specific scholarship schemes administered by the British Council, e.g. the Hornby Educational Trust Awards for Teachers of		

	No. of people 88/89	£m
English, and specific schemes like the European Young Lawyers' Scheme and the Commonwealth Young Lawyers' Scheme. The Council funds the UK administration costs of these schemes, but the operational costs are usually met from other sources.		
FCO agency-funded awards	3161	11.0
The Foreign and Commonwealth Office Scholarships and Awards Scheme; the Cyprus and Malaysia fee-support schemes; and the Commonwealth Scholarship and Fellowship Plan designed to encourage academic studies in Britain by citizens of Australia, Canada and New Zealand. Operational funds and administrative costs are paid by the FCO.		
ODA agency-funded training and visits to the UK	13742	90.9
The Technical Co-operation Training Programme; ODA South Africa Scholarships Scheme; Commonwealth Scholarship and Fellowship Plan for New Commonwealth Countries. Operational funds and administrative costs are paid by the ODA.		
Client-funded training and visits to the UK	3414	14.0
A range of contracts, won from overseas governments and international agencies, for arranging and administering short-term visits or long-term training in the UK. The direct costs of the training/visit are provided by the client, who also pays a management charge. Clients include the United Nations, European Community and World Bank.		
Youth Exchanges and Civic Links	6784	0.7
Grants to support youth exchanges from other countries to Britain and to encourage town twinning relationships between local authorities and communities in Britain and overseas. France, Germany and the Eastern Bloc predominate among partner countries.		
Total	35491	136.00

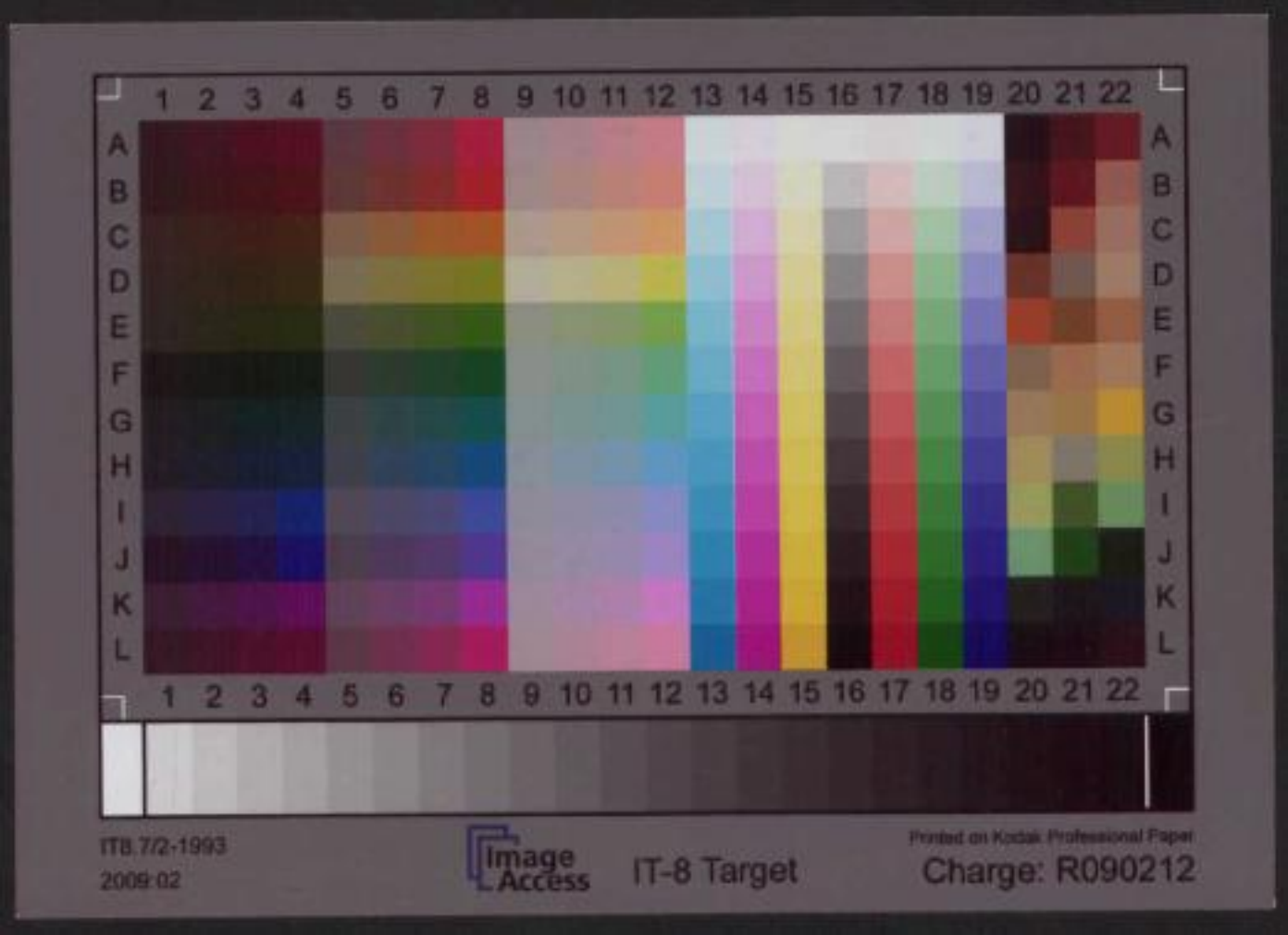
CC3ADY

PART 28 ends:-

NLW to FCO 29.11.88

PART 29 begins:-

FCO to NLW 1.12.88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