PREM 19/2708

PART 31.

MT.

CONFIDENTIAL FILING

The Rayner Programme

Promotion of Efficiency and Waste

The Scrutiny Programme

GOVERNMENT MACHINERY

PT1: May 1979

PT31: July 1989

An attached folder: Home Office V.F.M Seminar Visual Aids.

Next Steps: Project Managers Summer 1989 Report

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~10.7.89~~							
~~20/7/89~~.							
~~10.8.89~~							
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21.9.89							

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PART 31 ends:-

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MANAGEMENT AND SENIOR STAFF IN CONFIDENCE MBPM AT 31/10

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

30 October 1989

Dear Secretary of State,

ESTABLISHMENT OF THE LABORATORY OF THE GOVERNMENT CHEMIST (LGC) AS AN EXECUTIVE AGENCY

Thank you for sending me a copy of your letter of 25 October to Richard Luce about your intention to establish the Laboratory of the Government Chemist (LGC) as an Executive Agency on 30 October.

2. This is to confirm that I was content for LGC to be established as an Executive Agency on the basis of the draft policy and resources framework document attached to your letter. It is important that Executive Agencies are set demanding targets for improvements in efficiency. The targets for LGC for 1990-91 and later years will be set when the revised Corporate Plan is available later in the year. Although your Foreward to the framework document refers to improvements which will at least match the general level of improvement expected in the Civil Service as a whole, my understanding is that you accept that we should be seeking targets which deliver something better than this.

3. I am copying this letter to the Prime Minister, the Minister for the Civil Service, and to Sir Robin Butler, John Fairclough and Peter Kemp.

Yours sincerely.

P. Warlers

pp NORMAN LAMONT
[Approved by the Chief Secretary and signed in his absence.]

GOV MACH - Rayner PVS.



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

C89/4748

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON SW1A 0AA

27 October 1989

Dear Paul

NEXT STEPS: GOVERNMENT'S RESPONSE TO THE FIFTH REPORT OF THE TREASURY AND CIVIL SERVICE COMMITTEE

... I enclose a copy of the Confidential Final Revise of the Command Paper giving the Government's response to the Treasury and Civil Service Committee's report on "Next Steps".

The Command Paper will be laid before Parliament and published on Monday 30 October at 2.30 pm.

I am copying this letter to the Private Secretaries of members of the Cabinet and to Trevor Woolley in Sir Robin Butler's office.

Yours
Mark

MARTIN LE JEUNE
Private Secretary

CONFIDENTIAL—FINAL REVISE

[*to be published as Command Paper 841 by Her Majesty's Stationery Office Price £2.60 net*]



Developments in the Next Steps Programme

The Government reply to the Fifth Report from the Treasury and Civil Service Committee, Session 1988–89, HC 348

The Government reply to the Fifth Report from the Treasury and Civil Service Committee, Session 1988–89, HC 348

Developments in the Next Steps Programme

Next Steps is going ahead well. Ten Agencies have been established, 40 further activities, including three in the Northern Ireland Civil Service, have been announced by Departments as candidates with more to come.* The Project Manager is continuing to review further possibilities with Departments. The Government attaches great importance to this initiative which aims to bring about lasting improvements in the quality and efficiency of Government services. The Government welcomes the Committee's interest in Next Steps.

* A list of the Agencies established so far and of the activities announced by Departments as candidates can be found on pages 10 and 11.

Conclusion (i) *(i) We regard our own specific role in relation to Next Steps as one of continuing scrutiny.*

Conclusions (ii), (iii) and (iv) *(ii) We recommend that the Next Steps Project Manager consider ways by which the performance of Departments in creating and supporting successful Agencies can be assessed.*

(iii) We expect to see an improvement in the pace at which Executive Agencies are created.

(iv) We welcome Treasury witnesses' assurances that they are moving into a period when they are able to agree with the Project Manager and with Departments a sensible timetable and sensible targets for implementation.

Role of the Committee

Conclusion (i) The Government welcomes the importance which the Committee attaches to Next Steps and its continuing role in scrutinising the implementation of the initiative. That role will be increasingly valuable as Next Steps progresses.

Pace of change

Conclusions (ii), (iii) and (iv) The Government expects the pace at which Departments launch Agencies to speed up. The Project Manager's judgement is that by next summer at least 20 Agencies will have been established, with more to come.

Experience of the first 18 months of the initiative confirms that a wide variety—indeed the great majority—of Government services can benefit from the Next Steps approach, and the Project Manager continues to review all activities with the Departments concerned. As the Committee noted, most of the major Departments now have Agency candidates. There has been good progress with HM Customs and Excise and the Inland Revenue. The Project Manager is exploring with them how Next Steps ideas and techniques can be used to build on what those Departments are already doing to improve the efficiency and quality of their services to taxpayers.

In another sizeable part of government the Ministry of Defence has decided that a number of organisations in the defence support areas are to be run on Next Steps lines as Defence Support Agencies. An initial five candidates have been identified and ten more organisations are being reviewed. This is in addition to the two Agency candidates which the Ministry of Defence has already announced: the Defence Research Agency and the Meteorological Office.

Much has been learned from setting up the first ten Agencies, and many across the board issues have been tackled and resolved. Nevertheless, a fundamental principle of Next Steps is that each Agency must be set up in the way that best reflects the nature of the organisation. There can be no question of setting up a production line for launching Agencies. There are a number of essential ingredients which may in individual cases present difficult issues which have to be resolved before the Agency can be established. These will include:

- a clear definition of respective responsibilities of the centre of Departments and Agencies;
- demanding performance targets, both financial and non-financial, for quality of service and efficiency;
- appropriate delegations and flexibilities to meet those targets;
- financial systems appropriate to meet the needs of delegated financial responsibility.

For each candidate the target date for launching it as an Agency is based on an agreed timetable of what needs to be done to achieve that date. This action plan is designed to keep all concerned up to the mark and is therefore, while feasible, invariably ambitious.

The Government intends to ensure that not only the success of individual Agencies but also the performance of Departments in setting up and supporting Agencies is assessed.

Conclusion (v) *(v) We accept that Trading or "Agency" Funds could be a major asset for Agency managers but presume that Civil Service operations will only be taken out of the traditional Vote accounting system where it is clear that this is appropriate for the particular business concerned.*

Conclusions (vi) and (xiv) *(vi) We believe that Next Steps represents a real change in the way the Civil Service is run and we draw attention not only to the changes which are already taking place in the way Government services are delivered, but the possibly radically different shape of the Civil Service which may emerge as a result of them.*

(xiv) We believe that it should be possible to maintain the national character of the Civil Service while recognising the diversity of its functions.

Conclusion (vii) *(vii) Agencies should not be in the business of trying to obtain extra freedoms simply because another Agency has been granted those freedoms, but in some cases experience will show that it would be advantageous to extend a particular responsibility from one Agency more widely.*

Conclusion (viii) *(viii) Framework Documents should ensure that the contract between suppliers of the service (the Agency) and the representative of the customer (ie the Department) will be open for inspection from the start, and we believe that as a result, they should lead to a more effective scrutiny of Government by Parliament and the public.*

Financial regimes

Conclusion (v) The Government agrees. Agencies will have the financial regime which will best help them to improve the efficiency and effectiveness of their operations, while preserving overall control of public expenditure and proper accountability to Parliament. The White Paper accompanying legislation to extend the Government Trading Fund Act 1973 will explain the changes intended. It will also cover financial reporting and accountability to Parliament.

Future shape of the Civil Service

Conclusions (vi) and (xiv) The Government agrees. Next Steps and the creation of Executive Agencies springs from the recognition that the Civil Service has a large and varied range of functions. The constituent parts of the Service, which are often operating in widely differing working environments and labour markets, need to be able to be more responsive and resourceful if they are to carry out these functions effectively and efficiently. The application of Next Steps is likely to lead to a federal structure of more autonomous units, which will be tasked and resourced and able to deliver services against tight objectives. Greater delegation to local management will also lead to greater variation in financial, pay and personnel arrangements.

Delegation

Conclusion (vii) The Government agrees with the Committee's conclusion and intends that Agencies should have, to the greatest extent possible, the delegated freedoms and flexibilities which will best enable them to meet the demanding performance targets which will be set. These should develop progressively in the light of experience and changing circumstances. A particular advantage of Next Steps is that the case by case examination of each Agency's needs reduces the problems of repercussion and the danger of simply replacing old uniformities with new ones. However, general lessons which emerge from individual cases should and will be applied more widely where appropriate.

Framework Documents

Conclusion (viii) Framework Documents are designed to set out clearly what the Agency is there to do. They will describe the extent of Chief Executives' managerial responsibilities, their accountability to Ministers and the basis by which their performance will be judged. Framework Documents are not legal contracts for the provision of services, but statements about how Government services will be delivered. Framework Documents will normally be published and will prove an important tool in assisting Parliamentary and public scrutiny of Government.

Framework Documents are designed to provide a basis for stability. They will be reviewed at regular intervals—usually three years—or more frequently if appropriate, and amended as required.

Conclusions (ix) and (x)

(ix) If one of the objects of the Next Steps programme is to develop managerial talent within the Civil Service, we would expect a considerable proportion of future senior appointments to come from within the Civil Service, but to be appointed as a result of open competition.

(x) We welcome the Government's assurance that the rules on propriety affecting the appointment of senior Civil Servants will apply to Agency staff.

Conclusions (xi) and (xvii)

(xi) While we are in favour of interchange between the policy side and management, we believe that good managers should not be subjected to enforced periods "back at head office" where their skills would not be put to good use and their job satisfaction (and effectiveness) would be reduced.

(xvii) We recommend that those reaching the highest ranks of the Civil Service in core Departments should have experience both of management and policy work.

Conclusions (xii) and (xv)

(xii) We await with interest the outcome of negotiations over the Social Security Agency's Framework Document, and expect it to contain a sufficient degree of delegated responsibility to ensure that its Chief Executive can be responsive to the demands of his managers, and thus his customers. It is important that the monolithic DSS is not replaced by an almost equally monolithic Social Security Agency.

(xv) We intend to study carefully the methods used by the Government to solve the problems of accountability raised by the proposed Social Security Agency.

Conclusion (xiii)

(xiii) We expect the success of the Next Steps programme to be judged in large measure by the extent to which it improves services to customers.

Appointments

Conclusions (ix) and (x)

The Government firmly believes in the need to develop managerial talent within the Civil Service but the first priority in selecting Chief Executives and other key staff for Agencies must be to get the right person for the job. This principle is crucial to the success of Agencies. In each case the starting point is to define the job to be done. Then it will be necessary to examine what skills are required for the job; to consider where those skills can best be found; to take account of what is needed to attract, motivate and retain someone with those skills; and then choose the most appropriate method of selection. The Government expects open competition to be considered in every case as a potential means of attracting talented people from inside and outside the Service.

The rules on propriety governing senior Civil Service appointments will be fully observed in Agency appointments.

Career development

Conclusions (xi) and (xvii)

The Government agrees there must be genuine interchangeability between policy and executive functions. Therefore, while there is no question of a mechanistic approach to career planning, the Government will aim to ensure that as part of their career development key staff can gain experience of both management and policy work.

Social Security Benefits Agency

Conclusions (xii) and (xv)

The Government welcomes the Committee's interest in the Social Security Benefits Agency. The points they make are highly relevant to the work which is currently progressing of establishing the appropriate framework for what will be the largest single Executive Agency.

A Chief Executive (Designate) is to be sought by open competition, and, in line with Next Steps policy generally, will have the flexibilities and delegations appropriate to meet the performance targets Ministers set. While nevertheless preserving proper Parliamentary accountability and providing for the effectiveness and efficiency of the organisation, the Agency structure must enable managers to be responsive to customers in the way the Committee envisages.

Service to the public

Conclusion (xiii)

Improved service, within the resources made available, is one of the most important benchmarks by which the success of the Next Steps initiative will be judged. The Government expects Agencies to combine the very best in the public service traditions of fairness and impartiality with a continuing commitment to improve the quality of service offered to the public.

Services need to be delivered to the public in an attractive and cost effective manner. This will require imagination and innovation, and staff will need to be trained and developed to achieve this. With greater delegation of responsibility to local level, Agencies should be better able to keep more closely in touch with the needs of those who use their services, and to develop and adapt their services to respond to changes in those needs.

Conclusion (xvi) *(xvi) We repeat that it is vital when establishing an Agency to avoid any uncertainty as to whether its future lies in the public or the private sector.*

Conclusion (xviii) *(xviii) We are convinced that central Government Departments are going to change, perhaps quite radically, as a result of the Next Steps programme.*

Privatisation

Conclusion (xvi) Agencies like other Government activities will remain subject to the Government's policies on privatisation. As the Government explained in its response to the Committee's first report on Next Steps, privatisation along with other alternative options will be considered before an Agency is established and if there is a firm intention of privatisation when an Agency is launched this will be made clear.

Departments

Conclusion (xviii) The Government notes the Committee's conclusion about the need for the functions and structures of Departments' central divisions to change as Next Steps is implemented. Their prime role will be to set targets and judge performance in an arms-length relationship with Agency management. As more Agencies are launched they will need to concentrate their resources and, as necessary, adapt their structures on a number of key roles. These will include: assisting Ministers in the formulation of policy including the policy to be executed by Agencies (though the latter will of course advise where this is appropriate); the periodic monitoring of their Agencies' performance and, in the longer term, the evaluation of the decision to create Agencies and the way this has been implemented. A key aim of Next Steps has been to separate out these functions from the management and delivery of services. The implications of the initiative for the centres of Departments are likely to be as radical and beneficial as the greater management freedom and accountability will be for Agencies.

Conclusion

The Government remains firmly committed to implementing the Next Steps Initiative. It will continue to press forward with the process of identifying and setting up appropriate areas as Executive Agencies. This, however, is only the start. The objective is to ensure that Agencies deliver the full benefits they are capable of. For this, a number of key ingredients have been identified. These include:

- the need for Departments and Agencies to use to the full the managerial freedoms and incentives they are getting and to delegate to the maximum extent the operation of these to local management;
- the need to make sure that the right people are found for key positions in Agencies, whether from outside or inside the Civil Service;
- the need for the centre of Departments to substitute strategic management for detailed day-to-day "hands on" control;
- the need to use newly launched Agencies and their Framework Documents as a springboard to press for further improvement.

Next Steps is about preparing the Civil Service for the challenge of the 1990s. The Government welcomes the Committee's continued interest in the subject.

Appendix

Executive Agencies established

	Staff*
Vehicle Inspectorate	1,550
Companies House	1,150
Her Majesty's Stationery Office	3,200
National Weights and Measures Laboratory	50
Warren Spring Laboratory	300
Resettlement Agency	550
Civil Service College	200
Queen Elizabeth II Conference Centre	50
Historical Royal Palaces	350
Laboratory of the Government Chemist	300
TOTAL	**7,700**

Executive Agency candidates announced

Air Officer Training (Defence Support)	2,000†
Building Research Establishment	650
Cadw	200
Central Office of Information	800
Central Statistical Office	1,000
Central Veterinary Laboratory	550
Civil Service Commission	300
Defence Research Agency	12,000
Department of the Registers of Scotland	950
Director General of Defence Accounts (Defence Support)	2,100
Driver Testing and Training	2,000
Driver Vehicle Licensing Directorate	5,400
Employment Service	35,000
Forensic Science Service	550
Fuel Suppliers Branch (Crown Suppliers)	under 50
Her Majesty's Land Registry	10,500
Historic Buildings and Monuments Directorate	500
Hydrographer of the Navy (Defence Support)	900†
Insolvency Service	1,400
Intervention Board for Agricultural Produce	800
Meteorological Office	2,250
Military Survey (Defence Support)	800†
National Engineering Laboratory	600
National Physical Laboratory	750
Occupational Health Service	100
Passport Department	1,000
Patent Office	1,300
Planning Inspectorate	500
Property Holdings	1,600
Radiocommunications Division	450
Royal Parks	550
Service Children Education Authority (Defence Support)	1,300‡
Social Security Operations Benefits	77,000
Social Security Operations IT Services	2,900
Training Agency	11,800
Vehicle Component Approval Division	100
Veterinary Medicines Directorate	50
TOTAL	**180,700**

* Figures are based on staff in post as at 1 July 1989.

† Figure does not include Service personnel.

‡ Figure does not include locally recruited staff.

Northern Ireland Civil Service

Executive Agency candidates announced

	Staff*
Employment Training	1,600
Rating Division	250
Social Security Operations	4,250
TOTAL	**6,100**

* Figures are based on staff in post as at 1 July 1989.

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CONFIDENTIAL

SRW

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

SIR ANGUS FRASER

REPORT ON THE WORK OF THE EFFICIENCY UNIT

The Prime Minister was very grateful for your Report on your work as adviser on efficiency. She felt that generally the picture was satisfactory and she was happy for you and the Efficiency Unit to continue work along existing lines. She shared your concern that the real problem was to ensure the necessary interest and leadership at the top of each department. She suggested that the VFM seminars should be concentrated on those departments where this is less evident. Could you take this into account in the recommendations you make about the next round of such seminars.

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

AT

(ANDREW TURNBULL)
27 October 1989

CONFIDENTIAL

NBIM AT 27/10

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

C89/4752

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H OET

27 October 1989

Dear Secretary of State,

LABORATORY OF THE GOVERNMENT CHEMIST

Thank you for your letter of 25 October seeking agreement to the establishment of the Laboratory of the Government Chemist (LGC) as an Executive Agency next Monday. I am content with this and with the draft framework document you enclosed with your letter.

I am pleased to see that, like Warren Springs, LGC is to be established as an Executive Agency on the basis of an arms'-length customer-contractor relationship with DTI and its other customers. This relationship, with a clear definition of the role of the Department, the Agency and other parties involved seems to me to be essential in helping you to secure the improvements in quality of service and value for money you are seeking and, as you say, it is consistent with the approach being developed for competition at government research establishments.

As the framework document clearly identifies, the primary performance measure for LGC will be demonstrable ability to satisfy customers while fully recovering its costs, backed up by detailed performance targets which I understand will be developed as part of the corporate planning process. I hope it will be possible for you to publish these. In addition, I gather that the commitment at least to match the performance improvements expected of the wider Civil Service is your "baseline" and that in practice the aim will be to better this target. It might be possible, indeed, to present that message a little more positively in your foreword than as currently drafted. Likewise, I am glad to see that the framework document contains proposals for progressive delegations of responsibilities from your department to the Agency. This progressive freedom of agencies to manage their own affairs, subject to demanding targets, is, as you know, fundamental to Next Steps.

I agree with you on the importance of accompanying the new customer-contractor relationship with a financial regime which requires LGC to match its resources to the income which it can generate from orders. I am also glad that you are considering LGC for Agency or Trading Fund status since a regime of that kind, with its more commercial disciplines and freedoms, seems to me to be the logical development of the changes you are introducing.

I note your comments on the Chief Executive of LGC, Alex Williams. I am content with the appointment of Mr Williams for this post. I note from the framework document that he will be eligible for performance bonuses related to the achievement of targets - I presume these arrangements will be finalised as soon as possible.

On the launch of LGC as an agency your department will have five agencies up and running out of the ten so far established. This is a considerable achievement in implementing the Next Steps Initiative.

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

Yours sincerely,

Antonia Tatham.

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

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

27 October 1989

Dear Rosalind,

ESTABLISHMENT OF THE LABORATORY OF THE GOVERNMENT CHEMIST AS AN EXECUTIVE AGENCY

The Prime Minister has seen your Secretary of State's letter of 25 October to Mr. Luce. She was content with the proposal to establish the LGC as an Executive Agency, and with the proposal to appoint the current Government Chemist as the first Chief Executive.

I am copying this letter to Carys Evans (HM Treasury), Trevor Woolley (Cabinet Office), John Fairclough and Peter Kemp.

Yours sincerely

Andrew Turnbull

(ANDREW TURNBULL)

Mrs. Rosalind Cole,
Department of Trade and Industry.

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

Prime Minister
To note that Laboratory of Government Chemist is to be established as an Agency.
NT
26/10

dti

the department for Enterprise

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

The Rt. Hon. Nicholas Ridley MP
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
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01-215 5000

Telex 8811074/5 DTHQ G
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Direct line 215 5422
Our ref PE5ADX
Your ref
Date 25 October 1989

Dear Minister,

ESTABLISHMENT OF THE LABORATORY OF THE GOVERNMENT CHEMIST (LGC) AS AN EXECUTIVE AGENCY

Subject to your agreement and that of Norman Lamont, it is my intention to establish the Laboratory of the Government Chemist (LGC) as an Executive Agency on 30 October. 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.

The Framework Document establishes new arrangements which will help LGC provide a better service to its customers and provide better value for money to the taxpayer. As at Warren Spring Laboratory which became an Agency in April, the key feature of the LGC Framework Document is an arms length customer contractor relationship between LGC and all its customers, including the DTI. (All DTI Laboratories have operated in this way for many years with non DTI customers.)

My officials have discussed with yours how we intend to use DTI's Budget Committee to ensure that LGC's customer-contractor relationships are truly negotiated at arms length. The approach being taken by DTI is in line with the guidelines in John Fairclough's July Paper to E(ST) on Next Steps and competition at Government Research Establishments.

I am pleased that Treasury officials are recommending to Norman Lamont that he agrees a net running cost regime for LGC. To make the customer contractor regime work effectively, it is

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dti

the department for Enterprise

necessary to secure an exemption from gross running cost control. The new financial arrangements proposed will allow the LGC to recruit new staff if it is successful in winning contracts and, conversely, require it to make cuts if its business cannot sustain existing levels.

I also expect that the new financial regime together with the other flexibilities which LGC is acquiring on becoming an Agency will allow its management to increase both efficiency and quality of service. I am therefore proposing to state in the foreword to the Framework Document that I will be announcing performance targets for the Agency. I intend them to be demanding and to require incremental improvements in LGC's efficiency at least matching the norm of 1.5% we expect for the Civil Service as a whole.

David Young considered, when he was Secretary of State, whether we should hold an open competition for the post of Chief Executive and to seek to recruit someone from outside the Civil Service. I understand that he was impressed by the way that Alex Williams, the current Government Chemist, has managed the Laboratory, particularly the relocation from central London to Teddington. He is 58, and joined the DTI in 1959 after starting his career in the private sector with Monsanto and Southern Instruments. Accordingly, David Young decided that Alex Williams should be the first Chief Executive.

I am copying this letter to the Prime Minister, the Chief Secretary to the Treasury, and to Sir Robin Butler, John Fairclough and Peter Kemp.

Yours sincerely

Rosalind Cole

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

Recycled Paper

THE LABORATORY OF THE GOVERNMENT CHEMIST

-: EXECUTIVE AGENCY :-

POLICY AND RESOURCES FRAMEWORK

October 1989

LGC
Laboratory
of the Government Chemist

FOREWORD BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

For almost 150 years the Laboratory of the Government Chemist in addition to fulfilling a statutory role under a number of Acts of parliament, has been meeting the growing need of Government for services and advice based on analytical chemistry. Originally established to assist HM Customs to detect the adulteration of tobacco, the Laboratory has developed into the focus in Government for analytical chemistry, meeting the requirements of many Departments and taking a lead in discharging the Department of Trade and Industry's requirement for the validation of analytical measurement. Its work is highly regarded for its quality, independence and authority.

I am delighted to establish LGC as an Executive Agency. This framework document, which sets out its responsibilities and management flexibilities is designed to allow the Agency to develop an increasingly businesslike approach.

From April 1990, LGC will be exempt from gross running cost control, which will mean that the size and shape of the Laboratory will depend on the orders it can win from customers. Its success as an Executive Agency will therefore depend upon its ability to provide a competitively priced, high quality service. The new financial regime and the other flexibilities which the Laboratory is acquiring provide a framework in which it will be able to continue to increase its efficiency and effectiveness. As part of the Corporate Planning process, I will be setting targets which will require the Laboratory to achieve demanding incremental improvements in overall efficiency and quality of service. They will at least match the general level of improvement expected of the Civil Service as a whole. These improvements will result in improved value for money for customers and enhanced competitiveness for the Laboratory.

I wish the Chief Executive and LGC staff well in their new role. They are presented with an opportunity and a challenge. I am confident they will meet it.

The Rt Hon Nicholas Ridley MP

Secretary of State for Trade and Industry

October 1989

LGC EXECUTIVE AGENCY

POLICY AND RESOURCES FRAMEWORK

CHAPTER ONE - ROLE AND OBJECTIVES

Name of the Agency

1.1 The Agency will be called the Laboratory of the Government Chemist Executive Agency. For publicity and marketing purposes, it may use the short form title "The Laboratory of the Government Chemist" or the abbreviation "LGC". The Laboratory of the Government Chemist is an executive Agency of the Department of Trade & Industry.

Role of the Agency

1.2 As the focus for analytical chemistry within Government the aim of LGC is to provide its customers - mainly Government Departments - with a source of high quality expertise in chemistry, on an efficient and cost-effective basis, and to transfer the knowledge and experience which it accumulates to industry and elsewhere in the public and private sectors.

1.3 The Government Chemist has functions central to the maintenance of trade and for the protection of the environment and the consumer many of which have formally been defined under Acts of Parliament (Annex A). The Government Chemist has a statutory function under the Food Act 1984, the Agriculture Act 1970, and the Medicines Act 1968 for the analysis or examination of samples.

1.4 The analytical and advisory, work for Government, in support of the development and implementation of policy and regulation, currently constitutes 95% of the Agency's programme. Customer requirements for this work are independence and authority, (for example of court evidence, in the case of regulated drug seizure) and freedom from commercial pressures (for example in the analysis of the tar content of cigarette smoke). LGC undertakes research which builds upon its established areas of expertise and addresses the current and anticipated needs of its customers.

1.5 LGC will adopt the following objectives and principles in carrying out its functions:

- maintain its reputation for independence and authority in its work;

- promote quality assurance and accreditation in analytical chemistry, particularly by working closely with NAMAS, the National Measurement Accreditation Service to develop the accreditation of analytical laboratories;

- operate the customer contractor principle for non-statutory work;

- recover the full cost of its operations;

- develop new techniques and methods to improve the quality and effectiveness of services provided to its customers;

- publish in the scientific literature the results of its work whenever the constraints of customer confidentiality permit;

- cooperate with customer departments in the development of clearer and simpler regulation through technical work and advice;

- carry out strategic research to maintain its technical capability;

- take particular account of the needs of the Single European Market.

1.6 The Agency is required to work principally for Government but will also compete for non-Government contracts in the open market. Consistent with Government policy on contracting out, Government customers will go to open tender wherever appropriate but in doing this they will have regard to: the Government's long term interest in maintaining a source of expertise, especially for requirements which cannot be provided by private sector organisations; and to central guidelines which will be

established for the conduct of competitive tendering by Government customers.

CHAPTER TWO - ASSETS, RESOURCES AND ORGANISATION

Location and Assets

2.1 The Laboratory is the sole occupant of a new, custom-built laboratory consisting of 6,000 sq ms of laboratory space and 2,960 sq ms of office accommodation on the Department's site at Teddington. It also occupies some accommodation in which the National Physical Laboratory is the main tenant. In addition, the Laboratory operates the Armed Services Food Laboratory in accommodation provided by the Ministry of Defence in the Royal Clarence Dockyard, Gosport. The Laboratory's main building is currently the property of the Secretary of State for the Environment but it is expected that estate management will transfer to the DTI on 1 April 1990.

2.2 The Laboratory is furnished with a comprehensive range of capital equipment for chemical analysis and associated computing to a current written down value of £4m.

Management and staffing structure

2.3 The Chief Executive of the Agency will be the Government Chemist. Currently the Chief Executive is supported by three Deputy Directors with the following responsibilities:

- Deputy Director (Government Analyst) responsible for the provision of analytical services and the Laboratory's role in the National Measurement System.

- Deputy Director (Informatics & Biosciences) responsible for the linked programme on food and biosciences and for the work on biotechnology, informatics and for strategic and industrially relevant R&D.

- Deputy Director (Resources) responsible for the financial, capital and personnel resource of the Laboratory and for the supply of support services.

These 4 officers are designated key staff.

2.4 The staffing level of the Laboratory on 1 April 1989 was 336 with 321 of these based at Teddington and 15 based at Gosport.

The distribution of staff is as follows:-

Open structure	- 35
Scientific professional and technical and industrial staff	- 252
Executive and clerical staff	- 49

80% of the staff are chemists with a small proportion of microbiologists, biotechnologists and food scientists, supported by computing and engineering specialists.

The staff of the LGC agency will be DTI Civil Servants.

CHAPTER THREE - REPORTING AND ACCOUNTABILITY

Accountability to Ministers

3.1 DTI Ministers answer to Parliament on the policy governing LGC work generally and will continue to determine the policy and resources framework within which the Agency operates but they will not normally become involved with day-to-day management of LGC.

DTI Ministers will ask the Chief Executive to report regularly to them on the Agency's progress and its place within Departmental policy.

Agency Responsibilities : Accountability

3.2 This framework document and the Corporate Plan, together establish the Agency's objectives and powers and the structure within which its work is to be defined, its resources established and performance judged. The Chief Executive will be accountable to Ministers advised by the Chief Engineer and Scientist of DTI for the implementation of the Agency's Corporate Plan.

While carrying out its agreed role, LGC will have regard to wider Departmental policies and will contribute, as appropriate, to Departmental activities and initiatives.

Government Chemist Functions

3.3 The Government Chemist will continue to discharge the functions formally defined under the Acts of Parliament set out at Annex A.

Handling of PQ's, Ministers Cases etc

3.4 Members of Parliament will continue to be able to raise any matters concerning LGC with DTI Ministers. However, the Ministers will encourage MP's to write direct to LGC on day-to-day agency operation and matters. Generally Ministers will retain responsibility for answering questions relating to the scope of their Departments' programmes at the Laboratory. Where correspondence comes direct to DTI Ministers they will normally ask the Chief Executive to reply in the first instance. Where the correspondence involves wider policy considerations or where the Minister decides to reply, advice will be provided from the Agency in the usual way. Where correspondence comes directly to the Agency but has implications which go beyond its day-to-day work, LGC will consult the relevant Divisions in the DTI or in customer Departments before a reply is sent.

Accounting Officer Responsibilities

3.5 The Permanent Secretary as Accounting Officer for DTI will designate the Chief Executive as Agency Accounting Officer. The Chief Executive's duties will be defined in the light of responsibilities assigned to him in this framework document. The Permanent Secretary will remain responsible for overall matters affecting the policy of the Department towards the Agency such as this framework document, the performance targets set for the Agency and the Departmental resources allocated to it. The Chief Executive, as Agency Accounting Officer, will account for LGC's expenditure and the way it executes the work placed with it, as well as its performance against its targets.

The Accounting Officer and Agency Accounting Officer are liable to be summoned to appear before Parliamentary Select Committees and will normally appear together when the affairs of the Agency are being discussed.

Parliamentary Commissioner for Administration

3.6 The creation of the Laboratory of the Government Chemist Executive Agency does not affect the right of the Parliamentary Commissioner for Administration to make reports on its activities. The Chief Executive will be given the opportunity to comment on such reports sent to the Department in draft. The Chief Executive will also be invited to comment on other statutory or non-statutory approaches to the Department from the Parliamentary Commissioner affecting LGC.

DTI Responsibilities

3.7 The main link between LGC and the rest of the DTI will be provided by the Chief Engineer and Scientist. With the assistance of the Steering Board, he will be responsible for advising Ministers, the DTI Accounting Officer and the Principal Establishment and Finance Officer on the adoption of the Corporate Plan, the setting of financial and other targets and major policy issues, including major investment decisions. The Chief Engineer and Scientist will also advise Ministers and DTI Senior Management on LGC's performance.

Planning Framework

3.8 The annual Corporate Plan provides the basic management planning framework for LGC. It sets out the strategy for the following five years and includes a detailed business plan for the first year and expected resources for the rest of the plan period. Each Corporate Plan prepared by LGC will set out:

- demand analysis and forecasts;
- marketing strategy;
- proposals for strategic research;

- charging strategy;
- manpower and other resource assessment;
- personnel management;
- health and safety;
- capital investment;
- IT strategy
- quality and standards of service;
- performance indicators and targets;

Following consideration by the LGC Steering Board the Corporate Plan will be submitted for approval by DTI Ministers. The approved plan will provide the basis for discussion between DTI and the Treasury in the Public Expenditure Survey of the appropriate level of provision for LGC.

Within the framework of the agreed Corporate Plan the day-to-day management of LGC and responsibility for carrying out its objectives so as to achieve best value for money rests with the Chief Executive.

Steering Board

3.9 The Steering Board will meet quarterly and will be chaired by the Chief Engineer and Scientist. Its role will be to advise the Chief Engineer and Scientist on, in particular, the proposed Corporate Plan submitted by LGC including the robustness of the Laboratory's market assessments and the relevance and value of the strategic research programme, and on the extent to which LGC carries out its functions effectively and efficiently in accordance with this Framework Document and the Corporate Plan. Amongst its members will be representatives of appropriate central DTI Divisions and the Chief Executive. The Steering Board will also include civil servants appointed in an individual capacity, and non-civil servants, with relevant business

experience and a knowledge of and interest in the major fields of work of the Laboratory.

Monitoring Arrangements

3.10 The Chief Executive will report to the Chief Engineer and Scientist and to the Steering Board on:

- the preparation of the Corporate Plan;
- within the Corporate Plan the objectives and work programmes for the Agency including proposals for strategic research;
- the effectiveness of the Agency's management system and the appropriateness of the Agency's internal measures and targets;
- the quality of service provided by the Agency;
- variations in the Laboratory's manpower outside the parameters approved by its Corporate Plan;
- major investment proposals and developments;
- reports on performance against plans;
- any major issues which are not covered by the Corporate Plan or which may result in deviation from the Plan;
- the Agency's annual report.
- staff development needs to enable the agency to meet its objectives and work programmes, including the training costs involved.

Where such matters require consideration by the DTI Accounting Officer, the Principle Establishment and Finance Officer or Ministers, the Chief Engineer and Scientist will make reports and recommendations after consulting the Board.

3.11 LGC will submit quarterly reports to the DTI through the Line Manager and Steering Board on its financial performance and other targets. Periodic reports will similarly be

provided to the Treasury on the Agency's performance and progress.

Relationship with Customers

3.12 The Agency fulfils Commissions for customers on a full economic cost cash repayment basis and the total cost of the Agency will be met from repayment income. DTI will operate the same form of customer contractor relationship as other Government Departments in relation to the work the Agency carries out for it with DTI customers free to place contracts anywhere within or outside the Public Sector.

Performance

3.13 The primary performance measure for the Agency will be the recovery of its full economic cost. Its continued success will depend on providing its customers with a high quality service and value for money.

In year the Agency will monitor its costs against charge-out rate and use a range of indicators to measure its performance including:

- quarterly comparison of budget to actual cost on a programme and LGC sub-divisional basis;
- Laboratory overhead rates;
- ratio of cost of support services to total cost;
- staff utilisation factor;
- cost per member of project staff.

Additional performance measures based on unit costs, will be introduced over time by LGC in areas where the work is suited to the system.

The Corporate Plan will contain targets for performance measures and these will be reviewed each year and incorporated in the annual revision of the plan. Details of LGC performance against targets will be published in its annual report. The overall aim of the targets will be to

improve standards of service to customers while reducing costs in real terms taking one year with another.

CHAPTER FOUR - FINANCE

Accounting Framework

4.1 LGC's financial regime is designed to allow it to respond flexibly to changes in demand from its public and private sector customers. This chapter sets out the detailed arrangements which will make this possible.

4.2 From 1 April 1990 the Agency, apart from a small unit undertaking work on biotechnology, will be exempt from gross running cost control. The Agency's ability to finance expenditure will be determined by its ability to win business from its customers including DTI. LGC's current expenditure and expenditure on minor equipment will be met from its income. DTI will make provision from within the resources agreed for the Department during the Public Expenditure Survey for LGC capital expenditure and building works.

The funding of capital expenditure and the running costs of the biotechnology unit will remain as at present.

Charging Policy

4.3 The Agency's charge out rates will be reviewed annually as part of the Corporate Planning process. Rates will be set so as to recover the FEC of the Agency's operations. The composition of FEC is set out at Annex B and includes an element for strategic research.

LGC will aim to introduce from April 1990, along with other Government laboratories, recovery of the cost of its strategic research from all its customers. Pending this change, strategic research will be funded by DTI.

Supply Procedure and Expenditure on Capital, Staff and, Administrative Costs

4.4 LGC will remain within the system of Supply Voted by Parliament. The DTI will seek Estimates provision on behalf

of LGC on the basis of the Agency's income and cash requirement as agreed in the Corporate Plan. From 1 April 1990 DTI proposes to change its Vote structure so that all LGC subheads will be grouped together in a separate section of the Vote. LGCs current expenditure and expenditure on minor equipment and receipts from DTI will be included together in a net subhead. Capital expenditure and receipts from other Government Departments and any other customers will be included on separate subheads. Within the net subhead LGC will be free to switch between current and capital expenditure provided the increase is matched by additional receipts. LGC will also be able to increase gross current expenditure and capital expenditure to reflect changes in the level of work for customers provided that such increases are covered by income and Supplementary Estimates as necessary.

The Department will expect the Chief Executive to take action to eliminate or minimise any prospective increases in net operating costs above those envisaged in the Corporate Plan. Where a deficit arises despite the best efforts of the Agency, the Department will meet the shortfall from other parts of the cash limited votes. Permissible levels of deficit will be defined following approval of the Corporate Plan by the Secretary of State. Where a decrease in net operating costs below that envisaged in the Corporate Plan arises then the excess receipts so generated will be surrendered to the Consolidated Fund.

Capital Expenditure

4.5 DTI will submit on LGC's behalf estimates for expenditure on capital and building works. Major capital expenditure will require the initial approval of the Steering Board as part of the Corporate Planning process. LGC may carry forward from one financial year to the next any cash underspend on its capital expenditure budgets up to a limit of 25% of its major capital budget and 25% of its provision for other capital.

Any increase in provision resulting from the exercise of the flexibility permitted for major capital will be met first by the Department's capital expenditure for the year in which

the increase occurs, and then, in the event of the insufficient savings being available from this part of the DTI programme from other parts of the Department's cash limited votes.

Investment Criteria

4.6 LGC will continue to invest in those assets which enable it to fulfil its function in Government, to meet its customer demands and to offer value for money. Standard Government investment criteria will be applied: primarily net present value although others such as cost/benefit analysis and discounted payback will also be used. Major investment proposals will require the endorsement of the Steering Board, and the agreement of Ministers and Treasury where appropriate.

Accounting

4.7 LGC will continue to operate a full financial control and management accounting system providing for a monthly review of costs incurred against agreed budgets, operating performance and cash flow. The system will enable senior management to monitor results at all levels within the Agency. LGC's accounts and monitoring system will also:

- be consistent with Treasury requirements;
- recognise appropriate interfaces with Departmental vote accounting systems;
- be capable of reconciliation with the Department's vote accounts;
- satisfy audit requirements as to comprehensiveness, accuracy and as to the operation of adequate internal controls.

Intended Developments

4.8 The Department, the Agency and the Treasury will consider the introduction of a financial regime on the lines of a Trading Fund in the light of the development of the Agency

and its markets, and of the prospects of further improvements in efficiency as a result of such a change.

Audit, Monitoring and Reporting

4.9 Auditing, monitoring and reporting will be conducted in line with the principles set out in "The Next Steps". The Agency will be subject to DTI Internal Audit and Staff Inspection on behalf of the DTI Accounting Officer and the National Audit Office's statutory certification and value for money audit. To assist with planning the Department will discuss with the the Agency annually the anticipated requirements for audit and inspection and estimates of the likely costs to the Agency.

4.10 LGC will produce an annual report and accounts, as soon as possible after the end of the financial year to which they relate, which will be published. The Report will review technical, management and financial performance compared to the targets set.

CHAPTER FIVE - PERSONNEL, PAY AND CONDITIONS

General Policy

5.1 LGC will continue to operate within the normal Civil Service rules for recruitment, pay, grading and personnel management, including conduct and discipline. It will aim to offer staff a well planned and well managed career both by training and transfer within the Agency, and in association with PM Division, in the wider Civil Service. LGC Agency staff will be DTI Civil Servants. The Laboratory of the Government Chemist will strengthen its local Personnel Management capability so that it can take on a wider range of personnel functions.

5.2 The Agency will be responsible for the personnel management of its scientific staff up to and including SSO, of all non-mobile grades, and industrial staff. It recognises the importance to the individual and to the organisation of breadth of experience. Compatible with the needs of the Agency and in conjunction with the Department centrally, it will maintain the facility for the movement of staff between

the Agency, the centre of the Department and its other agencies and ensure that career development options available to the Department's staff are also available to staff of the Agency. All staff will still have access to the Department for advice on wider career opportunities.

Agency Staff

Chief Executive : The Government Chemist

5.3 The Chief Executive will be responsible for the day-to-day management of the Agency and will be accountable for its performance in accordance with the framework document and the Corporate Plan. The Chief Executive will be eligible for performance bonuses related to the achievement of agreed performance targets.

Key Staff

5.4 The key staff of the Agency will be accountable to the Chief Executive and share with him responsibility for the performance of LGC. Key staff currently are:

Deputy Director : The Government Analyst

Deputy Director : Informatics & Biosciences

Deputy Director : Resources

They will be eligible for performance bonuses related to the achievement of agreed performance targets.

Recruitment

5.5 The Agency will continue to have delegated powers to recruit ASOs, AOs, AAs, PSs and equivalents. Pending any changes to the role of the Civil Service Commission the Agency, in consultation with the Department, may make direct arrangements with the Civil Service Commission for the recruitment of EO's and of scientific staff up to SSO. It will determine the timing of recruitment, place its own advertisements, and conduct interview boards chaired by the Civil Service Commission.

The Agency will continue to participate in the Civil Service Commission's Service wide graduate recruitment campaigns. The Agency will have the power to determine starting pay for recruits to the Scientific Group at any point on the pay scale appropriate to that grade dependent on the recruit's qualifications, experience and potential value to the Agency.

The Agency will have authority to recruit casual staff, in accordance with DTI Guidelines.

5.6 The Department will delegate to LGC, powers to make limited period appointments for periods up to 5 years for scientific and technical grades up to and including G7. Civil Service grades and pay scales will apply, together with the possibility of terminal bonuses where permitted.

In determining the appropriate level of salary and grading for these appointments, the Agency will take into account the age, qualifications and experience of appointees compared with what would be expected of civil servants at similar levels. The Agency will also take into account appointees' ability to offer specialist or professional skills not otherwise readily available or required in the long term.

Promotion

5.7 LGC staff will continue to take part in the main DTI and regional promotion boards. Where an individual vacancy in LGC in a grade up to Grade 7 or equivalent cannot be filled in the normal way by recruitment, transfer, or promotion from the appropriate reserve list, LGC will circulate a Vacancy Notice within the Department, and will arrange a selection board. PM Division will be represented on the board. Any resulting promotions will be fully recognised by the Department and other DTI Agencies.

Retirement, Redundancy

5.8 The Department will delegate to LGC its authority on retirement for staff in the grades for which the Agency is to have the responsibility for career management. This

includes the authorisation of early retirement, and retention or re-employment of staff beyond normal retirement age in these grades in accordance with Civil Service Pay and Conditions of Service, subject to the Department's financial approval.

LGC will continue to operate the Department's retirement and redundancy policies and agreements. No action on redundancy of mobile grades will be taken without reference to the Department.

Discipline, Unsatisfactory Attendance, Unsatisfactory Performance

5.9 The Agency will have full delegated powers relating to discipline, unsatisfactory attendance and unsatisfactory performance in respect of grades for which it has been delegated personnel management. Agency staff may appeal to the Chief Executive against management decisions affecting them personally. Additionally existing rights of appeal to the Permanent Secretary remain unaffected.

Other Personnel Matters

5.10 The Chief Executive will have the delegated authority to engage consultants. In appointing consultants, the Chief Executive will seek advice from the Department on contractual and propriety matters, as appropriate and will be subject to Departmental guidelines.

Pay Arrangements

5.11 The Laboratory of the Government Chemist will apply nationally negotiated Civil Service pay arrangements for national grades, subject to any arrangements which might be negotiated centrally to apply to the Agency. It will observe the provisions of the national agreements on performance pay. It will also seek to use local and special pay flexibilities as necessary to maintain staff numbers to meet work requirements.

Performance Related Bonus Scheme

5.12 In addition, the Agency will examine the scope for a bonus system for all non-key staff related to the overall performance of the Agency, in discussion with the Treasury, DTI and the Agency's Trade Union Side. It will also consider special bonuses for individual staff in recognition of outstanding performance in particularly demanding tasks or situations, in accordance with Treasury guidance.

Training

5.13 The agency recognises the importance of training for staff at all levels and foresees that the increased requirement for its senior staff to be more directly accountable for achieving both their professional and financial objectives will require a higher level of management training.

In addition to the immediate training on the job which begins with the arrival of the new recruit, the Agency will run induction courses for new recruits as soon as possible after arrival. From that point on training will fall into three categories:

a) scientific, e.g. training on specific scientific or technological topics;

b) skill development, e.g. training on data management, computing, report writing;

c) personal development, e.g management training.

LGC will keep its training programme under review, enabling staff to operate effectively, and in the light of increased awareness of customer needs. Training will be effected through an in-house programme and, on a repayment basis, by the Department's Training Branch, the Civil Service College and by the private sector as appropriate. The Agency will have a training budget agreed with its Steering Board to whom it will respond periodically on its deployment.

CHAPTER SIX - GENERAL DELEGATIONS

Support Services

6.1 LGC will be responsible for administrative decisions about the structure and running of its support services. The source of supply of these will be at the discretion of its Chief Executive and the main criterion in selection will be maximising value for money. In this latter regard attention will be paid to the potential economies of scale in sharing support services with other agencies on the Teddington Site.

Purchasing

6.2 The Agency will be responsible for its own purchasing and stores operations but will comply with Treasury requirements and guidance and will work with the Department's Director of Procurement to implement the policies to continue to improve the Department's purchasing performance. The Agency will comply with the Treasury initiatives on market testing but has freedom, to decide whether to adopt or participate in the Department's procedures or put in place procedures of equivalent effect.

Accommodation Rental

6.3 It is expected that LGC's building, as a specialised property, will become part of the Departmental estate and the Agency will re-negotiate the basis for rental charges.

Building Maintenance

6.4 Under the proposed management arrangements for the Departmental estate, LGC will be responsible for the maintenance of the building it occupies and will pay actual costs.

Other Delegation

6.5 The Chief Executive will be responsible for the Agency publicity and public relations.

6.6 The Department will progressively delegate full responsibility to the Agency for the development, operation and procurement of information technology systems related to the entire work of the Agency.

6.7 LGC will be responsible for administrative decisions about the structure and the day-to-day running of its support services. The Department intends, subject to having the necessary powers, that Agency status will lead to a progressive transfer of responsibility for remaining areas of support services. The arrangements will be implemented in the light of Ministerial priorities and the need to ensure maximum economy and effectiveness.

7 Industrial Relations

7.1 Good industrial relations are of fundamental importance and LGC will continue to operate the Whitley arrangements. Agency Whitley Committees for staff are constituted to deal with matters specific to LGC and falling within the responsibility of the Chief Executive, who will chair meetings of these Committees. Exceptionally, the Deputy Director (Resources) may take the chair.

Every effort will be made to resolve issues within the LGC Committees. Issues not so resolved will be pursued within the usual procedures involving the relevant Councils at Departmental or higher level.

The Chief Executive will be the Official Side Manager responsible for existing arrangements and their application to LGC. This includes agreements negotiated at Departmental level, which either side may seek to modify to reflect local needs and conditions. Local agreements, or Departmental agreements modified for the Agency, are not intended to have implications for other parts of the Department or other Agencies.

Review and Variation of Framework

8.1 The framework document will be reviewed after three years, jointly by the Department and the Agency in consultation with the Treasury and OMCS as appropriate, or before then by

agreement between the Agency, the Department, the Treasury and OMCS. Amendments will be published. The Departmental Trade Union Side will be consulted on any modification. The Annexes to the Framework Document provide for progressive delegation of responsibility to LGC in the light of experience and may therefore be amended by the Department from time to time in consultation with LGC.

ANNEX A

LEGISLATION UNDER WHICH LGC HAS STATUTORY RESPONSIBILITIES

National Health Service Act 1946
Diseases of Animals Act 1950
Rag Flock and Other Filling Materials Act 1951
Agriculture (Poisonous Substances) Act 1952
Food and Drugs (Scotland) Act 1956
Food and Drugs (Northern Ireland) Act 1958
Factories Act 1961
Farm and Garden Chemicals Act 1967
Medicines Act 1968
Trade Descriptions Act 1968
Agriculture Act 1970
Misuse of Drugs Act 1971
European Communities Act 1972
Poisons Act 1972
National Health Service Reorganisation Act 1973
Customs and Excise Management Act 1979
Customs and Excise Duties (General Reliefs) Act 1979
Alcoholic Liquor Duties Act 1979
Hydrocarbon Oil Duties Act 1979
Tobacco Products Duty Act 1979
Value Added Tax Act 1983
Food Act 1984
Consumer Protection Act 1987

ANNEX B

Full economic cost for LGC:

Payroll Costs
Superannuation
Accommodation
Minor Purchases
Programme Support
Administrative Expenditure
DTI Support (Central Divisions and NPL
Depreciation
Interest and Insurance on Capital Employed
Bad Debt and Other Losses
Profits/Losses on Disposals of Assets

ANNEX C

Personnel and Training Delegations

1. Already exercised.

Career management for non-mobile Scientific and Industrial grades.

Recruitment for non-mobile grades

- Advertising
- Interviewing
- Offering Posts
- Arrangements regarding commencement date, conditions probation, PERMIS, Liaison with Pay Section.

Science graduate recruitment in collaboration with PM Division and the Civil Service Commission.

Casual appointments for non-mobile grades;

Reinstatement of non-mobile scientific and industrial grades;

Staff reporting for non-mobile scientific grades;

- Initiation, completion and retention of all forms of report;

Promotions

- Authorisation of substitution for mobile and non-mobile grades;
- Authorisation of temporary promotion of non-mobile scientific and industrial grades.

Attendance and Performance for non-mobile scientific and industrial grades

- Responsibilities in relation to unsatisfactory attendance and performance;

- Changes to and from Part-time working.

Regrading for non-mobile scientific and industrial grades.

Other personnel matters for non-mobile scientific and industrial grades;

Action following - death

- resignation

- change of name

- requests for references.

Training for mobile and non-mobile grades.

- on the job training

- induction courses

- arranging, in collaboration with PM, training by the Department, Civil Service College and external services.

2. To be implemented or transferred to LGC by November 1989.

Career management of all non-mobile grades (administration, secretarial and support grades).

Staff reporting for all non-mobile grades

- Initiation, completion and retention of all forms of report.

Creation and suppression of posts

Recruitment of Scientific Staff up to SSO and of EO's

- Liaison with the Civil Service Commission over advertisements and interviews.

Promotion:

- authorisation of temporary promotion for all non-mobile grades;

- postings within LGC, from reserve lists for all non-mobile grades.

Limited period appointments for Technical and Scientific Grades up to Grade 7.

- Advertising

- Sifting, interviewing

- Offer of posts

- Pay arrangements in Liaison with PM4

Attendance and performance for all non-mobile grades

- Responsibilities in relation to unsatisfactory attendance and performance

- changes to and from part-time working

Retirement procedures for non-mobile grades.

Redundancy procedures for non-mobile grades

Other personnel matters for non-mobile grades

- action following - death

- resignation

- change of name

- request for references

- authorisation of paid leave.

3. To be implemented or transferred on or after July 1990 when the Agency has built up its personnel management resource.

Extension of all of the delegations listed in 2 to mobile scientific staff up to SSO and in addition:

Promotion

- circulation of vacancy/trawl notices of individual scientific posts up to and including Grade 7 when PM Division cannot supply a suitable officer

- promotion boards for VN and trawl posts in association with PM Division

- conducting promotion reviews and boards for non-mobile grades

- notifying results.

Discipline

- Responsibility for all non-mobile and Scientific grades up to SSO and equivalent.

ANNEX D

Support Service Delegations

1. **Already Exercised**

Access to Departmental information systems

Procurement, installation and use of scientific computers up to a limit of £500,000 per project.

Telecommunications and office machinery equipment (except systems and exchanges).

Accommodation - site, building and work management (currently in liaison with PSA).

Messenger services.

Printing, typing, reprographics, stationery.

Post and telex.

Office and laboratory cleaning.

Health and safety.

Fire Precautions.

Emergency arrangements.

Site and building security.

Agency industrial relations matters.

Local staff communications.

Drafting, negotiating and placing of contracts.

Public relations and publicity.

Marketing.

Registry.

Library services (except cuttings service).

2. **To be delegated to LGC on 30 October 1989**

Enhanced access to PERMIS and other Departmental Systems as necessary.

Procurement, installation and use of computers and associated equipment and software for administrative purposes up to £150,000.

ANNEX E

Financial Delegations

The Chief Executive may exercise the following delegated powers in respect of the functions shown:

Authority to:-

Commit expenditure	Unlimited*
Certify expenditure	Unlimited*
Authorise payments	Unlimited*
Accept receipts	Unlimited
Make ex-gratia payments	Up to £25,000
Authorise write-offs	Up to £25,000
Authorise contractors'claims: extra contractual payments	Up to £25,000
Authorise awards to staff for staff suggestions	Up to £1,000
Authorise claims abandoned	Up to £25,000
Authorise compensation payments for personal injury in respect of the Agency's own employees	Up to £5,000
Authorise gifts of official property	Up to £25,000

***up to the limit of applicable budget allocations**

The authority to commit, certify and authorise expenditure may be exercised in respect of specified categories of expenditure incurred by LGC on forecast and ledger headings and suspense accounts allocated to LGC.

The Chief Executive may, in accordance with Departmental procedures, approve ADP proposals relating to the purchase, hire and maintenance of computers and associated equipment and software for scientific purposes up to a limit of £500K per project (inclusive of all applicable project costs). This delegation also extends to the use of the computer services industry, including the use of bureaux, IT consultancy, facility management contracts and turnkey projects up to a limit of £500k per project for scientific purposes.

The Chief Executive may subdelegate any of the powers shown above to named Agency staff. These financial delegations may be varied by agreement between the Agency and the Department.

Cle PM
ccBG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 October 1989

Dear Martin,

NEXT STEPS - THE GOVERNMENT'S REPLY TO THE 5TH REPORT OF THE TREASURY AND CIVIL SERVICE SELECT COMMITTEE

The Prime Minister was grateful for your Minister's minute of 20 October and the attached draft White Paper. Subject to any detailed comments from colleagues, she is content with the terms of the draft and to join your Minister in presenting this response to Parliament.

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

Yours,
PG

PAUL GRAY

Martin Le Jeune, Esq.,
Office of the Minister for the Civil Service.

3

PRIME MINISTER

1. A year has now elapsed since you appointed me as your Adviser on Efficiency. I owe you a personal report on developments over the last twelve months.

2. The remit given to me in Andrew Turnbull's minute of 14 February was to work with Ministers to:

- develop departmental strategies for better management;

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

- look at specific areas which raise questions of management and effectiveness

Some General Impressions

3. Before reporting progress on those fronts I record some general impressions of Whitehall. Returning in a different role which provides a view right across the Service, I have found much that is encouraging. Whitehall is increasingly confident in its use of terms such as objectives, targets, value for money and measuring performance. More managers hold budgets and exercise responsibilities in a simpler and more flexible framework of rules. The Next Steps initiative, still being debated and with a future by no means assured when I left Customs and Excise, is now a major established programme of change. These are very significant improvements and in my view are permanent and irreversible changes.

4. Equally there is a great deal still to be done. When I have talked to Ministers and their Permanent Secretaries about their management systems and their personal involvement in setting targets and monitoring performance, an extremely varied picture has emerged. There are some excellent examples of systems to identify key objectives, allocate resources to them, and ensure that individuals are personally accountable for achieving targets. There are others with apparently mechanistic, though time consuming, processing of papers to observe the formal requirements of the FMI. Similarly in our scrutiny programme some senior managers will still seek to avoid any commitment to measurable change although overall there is a much better environment for implementing recommendations and getting results.

5. Leadership from the top remains a decisive factor. In assembling agency frameworks and departmental plans I believe a renewed emphasis needs to be given to ways of extending market disciplines, competition and consumer choice. Financial and manpower controls should combine firm budgeting disciplines overall with maximum flexibility for managers to use their resources in the most cost-effective way. I refer back to these themes in my reports on specific developments.

The scrutiny programme

6. I start with this since it is right that scrutinies should continue to be at the heart of the Efficiency Unit's work. The technique, introduced by Derek Rayner and developed by Robin Ibbs, has served the government well. At the time when so much of the Unit's effort needed to be concentrated on the fieldwork for 'Next Steps', the

scrutiny programme had necessarily to be given rather lower priority. I am glad to say that it is restored to full vigour, and that the few Departments which seemed to be tending to opt out are back in the fold, with good topics.

7. In the Annex I give details of the total number of scrutinies started since April 1988, together with the expenditure covered and savings identified so far. Rather than list every scrutiny, I have included summaries of the more important ones. The 1988/89 programme contained some 22 scrutinies, as compared with 17 the year before, and the current year's programme is also shaping well. Though scrutinies continue to focus on the costs of large areas of government administration (like those in the 1989/90 programme which were concerned with PSA cost competitiveness and with Defence Accommodation Stores), they are also looking at how well programmes deliver their policy objectives (like the current multi-departmental scrutiny of the voluntary sector and the two last year on economic statistics). Successful new scrutiny ventures have been to assist provincial police forces in adopting the technique, and to try out military-led teams in defence topics.

8. Scrutinies give the Efficiency Unit a solid foundation for its work with Departments, who are being persuaded to regard them more as a central part of their overall strategy for reviewing and improving performance. We pay a good deal of attention to implementation, but it can sometimes remain an uphill struggle: the larger the subject, the greater is the need for sustained effort and commitment to implement; and when more than one Department and Minister are involved it may not be easy to achieve speedy and decisive action. (Social Security fraud and the administration of overseas aid-tying rules provide two examples of the latter point in the 1988/89 programme.)

9. As for the future, it seems right to keep scrutinies high on the agenda of value for money seminars and the annual round of meetings with Ministers.

Annual discussions with Ministers

10. My remit emphasised the importance attached to my discussions with Ministers. I asked to see all Ministers with their Permanent Secretaries between 1 April and the Summer recess. This fitted in with their planning cycles and should have maximum impact on their thinking at the start of the financial year. The focus was on encouraging Ministers' involvement and interest in management strategies for achieving key objectives and monitoring progress and value for money. The discussions were clearly welcome to most Ministers. As I noted above however the quality of Departmental planning systems and extent of Ministers' involvement is very variable. I have encouraged more open publication of objectives and targets within Departments and to the wider public. I hope to be able to build on departmental strengths, identify weaknesses and spread good practice in the collaboration with others, notably the Treasury, who are the regular forces in this field. We also need to evaluate hard evidence from scrutinies and the like to check that there is a reasonable match between theory and practice.

Specific areas

11. My remit mentioned three particular areas which merited attention: value for money within the European Community; management matters

common to the Civil Service as a whole; and departmental management of areas of expenditure under indirect control.

12. European Community It has not taken long to verify the widely shared concerns about the way the Commission operates. There is no real focus for improving management. Pursuing efficiency and effectiveness is seldom high on the list of priorities. There is too much reliance on over-detailed rules and complicated administrative procedures. Equally we have to tread carefully as susceptibilities are easily aroused and the initiative for change must come largely from within. From a round of informal and amicable talks with various Commission officials, from David Williamson downwards, most likely to have an occupational interest in value for money, it seems clear that they see the need for the Commission to be better equipped to face the 1990s and not get bogged down in detail which would overwhelm them; they appear to be thinking in terms of decentralising as much activity as possible and also of moving towards a systems audit approach to the monitoring of expenditure of community funds. There could be attractions for us in this line of thought and they will need help to do it. The Commissioners have yet to adopt a position on these issues. The best way forward seems to be to encourage the officials to produce specific proposals which can be discussed at working level with delegations, who can all claim an interest in how the Community handles its affairs. This is what I have sought to do, with the help of UKDel.

13. At the same time, some of our scrutinies take us directly into territory shared with the Commission. The most notable example is the one which MAFF have started recently on EC product classification for export rebate.

14. Civil Service management issues Economic and demographic change will have a substantial impact on the size and shape of the labour market over the next few years. A key to success will be the ability to attract, motivate, develop and retain talented people across the vast range of public sector functions. The Civil Service is grappling with these issues, but there is much more to be done. Part of this problem can be solved by greater delegation on personnel matters from the Treasury to Departments. Work is in hand to begin this process. But there is also a need for change in Departments. The Service has yet to recognise fully that the primary responsibility for personnel management must rest with line management. Remote personnel departments will never have as close an understanding of staff needs. Greater departmental responsibility can also be encouraged by a willingness to experiment in delegating pay negotiating responsibility, consistently with maintaining tight control of the pay bill. There is also the question of the industrial relations structure: the present Whitley system looks increasingly like an anachronism. These and other issues have been highlighted by our initial work on the Civil Service, and we shall be giving thought to how to carry them forward over the next couple of months.

15. We have also begun to see evidence that new agencies will increasingly question the quality and value for money of services (personnel management, computing support, economic or statistical advice etc) which they buy from parent departments. A scrutiny in DTI has highlighted this trend. I expect to see increasing pressures upon service providers to reduce costs and increase efficiency, and this to lead to the development of internal market disciplines, alongside increased provision from external providers.

16. Programmes not directly administered by departments The principles set out in Next Steps, in particular the requirement for executive functions to be undertaken within a policy and resources framework, clearly have lessons for the management of a variety of other relationships with outside bodies for which Departments have a funding responsibility. A number of scrutinies have made recommendations on these relationships: the DOE review of control of administrative expenditure in NDPBs; Government funding of the voluntary sector; and the scrutiny of magistrates' courts. As we pursue action on individual studies I will want to consider what more needs to be done to ensure that these issues are properly addressed across government.

Other issues

17. Next Steps There is no need for me to comment on the considerable progress that has been made in pushing forward the Next Steps concept. The Efficiency Unit will be glad to give what support it can (and not infrequently efficiency scrutinies identify suitable candidates for agency treatment).

18. Value for money seminars VFM seminars this year have been a powerful means of reinforcing interest in and commitment to work on efficiency. I very much hope you will be able to continue to spare time for this programme. It is abundantly clear from the past year that in this field, as in so many others, a great deal depends on how far there is a lead from the top within the Department.

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

ANGUS FRASER
23 October 1989

I am most grateful for this report. The real problem is how to ensure the necessary interest and leadership at the top of each departments. Perhaps we can concentrate our VFM scrutinies on those depts which are at present among the weaker brethren not

Annex 1

THE EFFICIENCY UNIT SCRUTINY PROGRAMME

	Number	Expenditure Covered	Annual Savings identified
		£m	£m
1987/88	17	2100	60
1988/89	22	2200	42 (plus £45m one off savings*)
1989/90	17 firm topics identified in first 7 months	7500	75-100 +, excluding £75m from PSA cost competitiveness scrutiny where cost saving review already in hand

* £45 million from sale of excess MOD married quarters in London area

SAMPLE OF SCRUTINIES

1988/89

CO — Government Economic statistics

A scrutiny of the interdepartmental arrangements for the production of Government economic statistics relating to the national accounts. It was undertaken because of increasing concern about the quality of statistics especially the wide discrepancies between the three measures of GDP, large and growing balancing items, and frequent major revisions. Overall costs of collection and production are £54m.

The scrutiny recommended that the CSO should be established as a Next Steps agency and should assume responsibility for work contributing to the national accounts carried in DTI and the Business Statistics Office. A number of detailed technical recommendations concerning current statistics were also made.

MOD — Military functions at Schools and Universities

A review of the expenditure by the military at schools and universities to aid recruitment, foster an understanding of the role of defence and contribute to the education of the youth of the nation. The first scrutiny to be led by a serving officer.

The scrutiny recommended that the primary purpose for the military involvement at educational establishments should be to encourage recruitment; this is seen as especially important given the large reduction in school leavers which will occur during the next decade. Various recommendations were made which will better focus the activities towards aiding recruitment. In particular, doubts were also expressed whether the expenditure at universities (£26 million pa) gives value for money. Aligning responsibility in the MOD centre for the military functions with that for recruitment will allow decisions to be made on whether the recruitment objectives could be met by spending less money in other ways.

MOD — Defence Accommodation stores

A review of the way the MOD purchases and distributes defence accommodation stores for use in offices, barracks and married quarters (the annual expenditure is £60 m on goods, with a similar amount covering associated purchase, distribution and storage activities).

The existing system was found to be cumbersome with a large central organisation supplying goods on demand, but at no cost, to individual commands in response to entitlements specified by centrally determined scales. The scrutiny recommended that local budgets should be introduced allowing local commanders to decide what they wish to order as appropriate for their own circumstances. The purchasing and distribution system will be streamlined and opened up to

competition. Savings should be around £2-3 million pa and the changes should also allow the closure (and sale) of a large depot near Gloucester with a value of around £15 million.

HO — Magistrates Courts

A scrutiny which looked at the management and funding arrangements for the magistrates' courts, and at the potential for action to reduce unit costs, shorten delays and improve fine enforcement. It made radical proposals for changes intended to improve the efficiency, economy and effectiveness with which the courts service is delivered.

The scrutiny found that there was no coherent management structure for the £200m per year service and that it would be difficult to think of any financial system less likely to deliver value for money than the present one. The central recommendation was for an executive agency to be set up to provide a national focus for managing and funding magistrates' courts. The proposals do not affect the continuation of an independent lay magistracy, dispensing local justice in local courts. The Home Secretary will decide shortly whether the agency proposal should be pursued.

ODA — Aid tying Rules

A joint ODA/DTI scrutiny to review the operation of the rules tying bilateral aid to British goods and services. The scrutiny found that the rules, which cost about £120,000 to administer, are complex and difficult to understand, cause delays to the aid programme (£1.6bn) and involve an inefficient use of DTI market expertise.

The scrutiny recommended that responsibility for operating the aid-tying rules should be transferred from DTI to ODA, but that consultation with DTI over goods with a substantial foreign content should be strengthened. Proposals were made to simplify the rules and to set new levels for permissible foreign content, with a potential saving of £96,000 on administrative costs. Discussions have taken place between the two responsible Ministers but little progress has been made on agreeing on an action plan, which is now 2 months late.

Met Police — Abstractions from duty

A scrutiny intended to identify all the contingencies which cause manpower to be removed from operational duties, and to recommend ways of eliminating unnecessary abstractions.

The scrutiny found much work already in hand at the operational level to reduce abstractions. Recommendations were made for further reductions which promise significant improvements.

1989/90

DE YTS2

A scrutiny of the role, scope, and organisation of YTS in view of developments in the market, experience to date of YTS, and the need for value for money.

The scrutiny recommended the replacement of YTS by a new programme to be called Youth Training. It would set a higher overall target level of attainment for young people and produce a significant increase in the achievement of higher level skills.

HO Voluntary sector

This was a major multi-Departmental scrutiny of the £2bn spent annually by Government on funding for voluntary bodies. The scrutiny looked at the purposes of grants, the arrangements in Departments for identifying and selecting voluntary organisations and administrative arrangements. The scope for standard conditions covering political activities, grant applications and objective-setting was examined. The scrutiny endorsed the value of the voluntary sector and found that it had the potential to do more in partnership with Government.

It recommended that Departments should set clear strategies for supporting voluntary bodies which reflected their priorities. Detailed recommendations were made to streamline Departments' practice in dealing with applications and ensure that they keep in touch with the work of grant-funded bodies in achieving the benefits required. The Ministerial Group on the Voluntary Sector has responsibility for agreeing on an action plan to carry these recommendations forward on a co-ordinated basis across Departments.

PSA Cost competitiveness

This major review arose from the decision to 'untie' all Departments fully from the Property Services Agency by 1990. The PSA must reduce its overheads dramatically to allow it to bid competitively for business from that date. The review became an efficiency scrutiny and the estimated £75m saving is excluded therefore from the main list as costs reductions would have had to be achieved in any case.

Nevertheless, this has been a radical and well-run scrutiny to which the Unit has provided part-time staff support. The business strategy adopted by the agency identified that PSA's overheads were much too high. The ratio of fee earning staff to administrators in the agency can be as low as 1:1 compared with 4:1 in the private sector. The main recommendations cover a major reduction in central overheads; greater flexibility in the use of support staff; streamlining of business procedures; introduction of commercial business controls and much greater delegation of functions to line management. It is essential that top management push through action needed to achieve the very large savings and the

accompanying reductions in staff numbers and we are giving them our full support.

DTI — Central Services

A scrutiny of services provided centrally by DTI (such as personnel management, computing, training, economic and statistical advice) to users in headquarters and outstations.

The scrutiny found that only a few central services were charged to users according to use: many were free goods. The report recommends that services be more accurately costed, that charges are levied according to use, and that more services should be open to competition.

DES — Education Support grants

Currently under way and the first DES scrutiny for several years. This scrutiny will look at the grants given by the DES to local education authorities to foster in service training for teachers and to assist in specific programmes like the introduction of the national curriculum. Annual expenditure on the grants is £336 m.

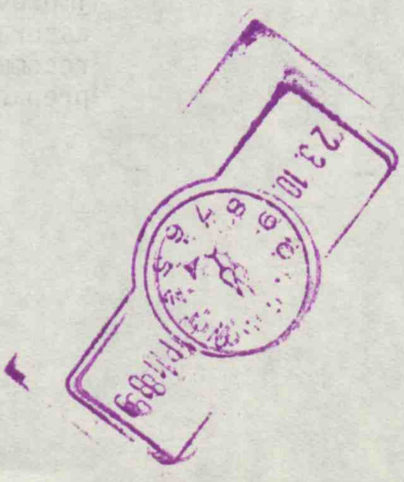
DSS — Departmental Debt

Currently under way, this scrutiny is examining ways of reducing the debts of the Department of Social Security which arise primarily from overpayment of social security benefit and underpayment or non-payment of National Insurance contributions. Precise figures are not available but estimates are about £400m.

DE/DSS — Fraud

The scrutiny was set up to examine existing methods of combating fraud, the effectiveness of liaison between DSS and DE, and to recommend improvements.

The scrutiny found that the liaison agreement was not working well and recommended combining DSS and DE fraud activity into a single management structure. It also recommended the reorganisation of fraud resources in DSS and a number of improvements in performance measurement and quality assurance. DE has rejected the single management structure recommendations and implementation is held up while DE prepare alternative proposals.



MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

NEXT STEPS - THE GOVERNMENT'S REPLY TO THE 5TH REPORT OF THE TREASURY AND CIVIL SERVICE SELECT COMMITTEE

The Treasury and Civil Service Select Committee published their second report on Next Steps in July. Like last year's report, it gave broad support to the initiative and the way in which it is being implemented. In particular the Committee took a keen interest in the potential of Executive Agencies to improve the quality of service offered to the public.

I propose the Government should reply to the report in terms of the attached draft White Paper. Like the report itself, the response does not contain anything new of substance. However it provides an opportunity for us to reaffirm our commitment to the Next Steps initiative, and it would do a great deal to help ensure continued momentum if you would agree, as last year, to join me in presenting this response to Parliament.

It is planned to publish the White Paper on 30 October and to announce publication through a written Parliamentary Answer and Press release. The draft has been cleared with Departments at official level, and copies will go to Ministerial colleagues at confidential final revise stage in the normal way.

I am copying this minute to Norman Lamont and Sir Robin Butler.

Prime Minister

1. Content, subject to detailed comments from colleagues, with the draft White Paper? Yes

2. Content to join Mr. Luce in presenting it to Parliament? Yes

RLG 20/10

pp RICHARD LUCE
20 October 1989

(Approved by the Minister and signed in his absence)

[DRAFT 20 October]

Government reply to the Fifth Report of the Treasury and Civil Service Committee

Developments in the Next Steps Programme

Next Steps is going ahead well. 10 Agencies have been established, 40 further activities, including 3 in the Northern Ireland Civil Service, have been announced by Departments as candidates with more to come. * The Project Manager is continuing to review further possibilities with Departments. The Government attaches great importance to this initiative which aims to bring about lasting improvements in the quality and efficiency of government services. The Government welcomes the Committee's continuing interest in Next Steps.

* A list of the Agencies established so far and of the activities announced by Departments as candidates can be found on page.....

Conclusion i

i We regard our own specific role in relation to Next Steps as one of continuing scrutiny.

Conclusions ii,iii & iv

ii We recommend that the Next Steps Project Manager consider ways by which the performance of Departments in creating and supporting successful Agencies can be assessed.

iii We expect to see an improvement in the pace at which Executives Agencies are created.

iv We welcome Treasury witnesses' assurances that they are moving into a period when they are able to agree with the Project Manager and with Departments a sensible timetable and sensible targets for implementation.

ROLE OF THE COMMITTEE

The Government welcomes the importance which the Committee attaches to Next Steps and its continuing role in scrutinising the implementation of the initiative. That role will be increasingly valuable as Next Steps progresses.

PACE OF CHANGE

The Government expects the pace at which Departments launch Agencies to speed up. The Project Manager's judgement is that by next summer at least 20 Agencies will have been established, with more to come.

Experience of the first 18 months of the initiative confirms that a wide variety - indeed the great majority - of Government services, can benefit from the Next Steps approach, and the Project Manager continues to review all activities with the Departments concerned. As the Committee noted, most of the major Departments now have Agency candidates. There has been good progress with HM Customs and Excise and the Inland Revenue. The Project Manager is exploring with them how Next Steps ideas and techniques can be used to build on what those Departments are already doing to improve the efficiency and quality of their service to taxpayers.

In another sizeable part of Government the Ministry of Defence has decided that a number of organisations in the defence support areas are to be run on Next Steps lines as Defence Support Agencies. An initial 5 candidates have been identified and 10 more organisations are being reviewed. This is in addition to the two Agency candidates which the Ministry of Defence has already announced: the Defence Research Agency and the Meteorological Office.

Much has been learned from setting up the first ten Agencies and many across the board issues have been tackled and resolved. Nevertheless a fundamental principle of Next Steps is that each Agency must be set up in the way which best reflects the nature of the organisation. There can be no question of setting up a production line for launching Agencies. There are a number of essential ingredients which may, in individual cases, present difficult issues which have to be resolved before the Agency can be established. These will include:

* a clear definition of respective responsibilities of the centre of Departments and Agencies;

* demanding performance targets, both financial and non-financial, for quality of service and efficiency;

* appropriate delegations and flexibilities to meet those targets;

* financial systems appropriate to meet the needs of delegated financial responsibility.

For each Agency candidate the target date for launching it as an Agency is based on an agreed timetable of what needs to be done to achieve that date. This action plan is designed to keep all concerned up to the mark and is therefore, whilst feasible, invariably ambitious.

The Government intends to ensure that not only the success of individual Agencies but also the performance of Departments in setting up and supporting Agencies is assessed.

Conclusion v

v We accept that Trading or "Agency" Funds could be a major asset for Agency managers but presume that Civil Service operations will only be taken out of the traditional Vote accounting system where it is clear that this is appropriate for the particular business concerned.

Conclusions vi and xiv

vi We believe that Next Steps represents a real change in the way the Civil Service is run and we draw attention not only to the changes which are already taking place in the way Government services are delivered, but the possibly radically different shape of the Civil Service which may emerge as a result of them.

xiv We believe that it should be possible to maintain the national character of the Civil Service while recognising the diversity of its functions.

Conclusion vii

vii Agencies should not be in the business of trying to obtain extra freedoms simply because another Agency has been granted those freedoms, but in some cases experience will show that it would be advantageous to extend particular responsibility from one Agency more widely.

FINANCIAL REGIMES

The Government agrees. Agencies will have the financial regime which will best help them to improve the efficiency and effectiveness of their operations, while preserving overall control of public expenditure and proper accountability to Parliament. The White Paper accompanying legislation to extend the Government Trading Fund Act 1973 will explain the changes intended. It will also cover financial reporting and accountability to Parliament.

FUTURE SHAPE OF THE CIVIL SERVICE

The Government agrees. Next Steps and the creation of Executive Agencies springs from the recognition that the Civil Service has a large and varied range of functions. The constituent parts of the Service, which are often operating in widely differing working enviroments and labour markets need to able to be more responsive and resourceful if they are to carry out these functions more effectively and efficiently. The application of Next Steps is likely to lead to a federal structure of more autonomous units, which will be tasked and resourced and able to deliver services against tight objectives. Greater delegation to local management will also lead to greater variation in financial,pay and personnel arrangements.

DELEGATION

The Government agrees with the Committee's conclusion and intends that Agencies should have to the greatest extent possible, the delegated freedoms and flexibilities which will best enable them to meet the demanding performance targets which will be set. These should develop progressively in the light of experience and changing circumstances. A particular advantage of Next Steps is that the case by case examination of each Agency's needs reduces the problems of repercussion and the danger of simply replacing

Conclusion viii

viii Framework Documents should ensure that the contract between suppliers of the service (the Agency) and the representative of the customer (ie the Department) will be open for inspection from the start and we believe that as a result, they should lead to a more effective scrutiny of Government by Parliament and the public.

Conclusion ix,x

ix If one of the objects of the Next Steps programme is to develop managerial talent within the Civil Service, we would expect a considerable proportion of future senior appointments to come from within the Civil Service, but to be appointed as a result of open competition.

old uniformities with new ones. However general lessons which emerge from individual cases should and will be applied more widely where appropriate.

FRAMEWORK DOCUMENTS

Framework Documents are designed to set out clearly what the Agency is there to do. They will describe the extent of the Chief Executives' managerial responsibilities, their accountability to Ministers and the basis by which their performance will be judged. Framework Documents are not legal contracts for the provision of services, but statements about how government services will be delivered. Framework Documents will normally be published and will prove an important tool in assisting Parliamentary and public scrutiny of Government.

Framework Documents are designed to provide a basis for stability. They will be reviewed at regular intervals, usually 3 years, or more frequently if appropriate, and amended as required.

APPOINTMENTS

The Government firmly believes in the need to develop managerial talent within the Civil Service, but the first priority in selecting Chief Executives and other key staff for Agencies must be to get the right person for the job. This principle is crucial to the success of Agencies. In each case the starting point is to define the job to be done. Then it will be necessary to examine what skills are required for the job; to consider where those skills can best be found; to take account of what is needed to attract, motivate and retain someone with those skills; and then to choose the most appropriate method of selection.

x We welcome the Government's assurance that the rules on propriety affecting the appointment of senior Civil Servants will apply to Agency staff.

Conclusions xi and xvii

xi While we are in favour of interchange between the policy side and management, we believe that good managers should not be subjected to enforced periods "back at head office" where their skills would not be put to good use and their job satisfaction (and effectiveness) would be reduced.

xvii We recommend that those reaching the highest ranks of the Civil Service in core Departments should have experience both of management and policy work.

Conclusions xii and xv

xii We await with interest the outcome of negotiations over the Social Security Agency's Framework Document, and expect it to contain a sufficient degree of delegated responsibility to ensure that its Chief Executive can be responsive to the demands of his managers, and thus his customers. It is important that the monolithic DSS is not replaced by an almost equally monolithic Social Security Agency.

xv We intend to study carefully the methods used by the Government to solve the problems of accountability raised by the proposed Social Security Agency.

The Government expects open competition to be considered in every case as a potential means of attracting talented people from inside and outside the service.

The usual rules governing senior civil service appointments will be fully observed in Agency appointments.

CAREER DEVELOPMENT

The Government agrees that there must be genuine interchangeability between policy and executive functions. Therefore, while there is no question of a mechanistic approach to career planning, the Government intends to ensure that as part of their career development key staff will gain experience of both management and policy work.

SOCIAL SECURITY BENEFITS AGENCY

The Government welcomes the Committee's interest in the Social Security Benefits Agency. The points they make are highly relevant to the work which is currently progressing of establishing the appropriate framework for what will be the largest single Executive Agency.

A Chief Executive (Designate) is to be sought by open competition and, in line with Next Steps policy generally, will have the flexibilities and delegations appropriate to meet the performance targets Ministers set. While nevertheless preserving proper Parliamentary accountability and providing for the effectiveness and efficiency of the organisation, the Agency structure must enable managers to be responsive to customers in the way the Committee envisages.

Conclusion xiii

xiii We expect the success of the Next Steps programme to be judged in large measure by the extent to which it improves services to customers.

Conclusion xvi

xvi We repeat that it is vital when establishing an Agency to avoid any uncertainity as to whether its future lies in the public or the private sector.

SERVICE TO THE PUBLIC

Improved service within the resources made available is one of the most important benchmarks by which the success of the Next Steps initiative will be judged. The Government expects Agencies to combine the best in the public service traditions of fairness and impartiality with a continuing pursuit of improvements in the quality of the service they offer to the public.

Services need to be delivered to the public in an attractive and cost effective manner. This will require imagination and innovation, and staff will need to be trained and developed to achieve this. With greater delegation of responsibility to local level, Agencies should be better able to keep more closely in touch with the needs of those who use their services, and to develop and adapt their services to respond to changes in those needs.

PRIVATISATION

Agencies like other Government activities will remain subject to the Government's policies on privatisation. As the Government explained in its response to the Committee's first report on Next Steps, privatisation along with other alternative options will be considered before an Agency is established, and if there is a firm intention of privatisation when an Agency is launched this will be made clear.

xviii We are convinced that central Government Departments are going to change, perhaps quite radically, as a result of the Next Steps programme.

DEPARTMENTS

The Government notes the Committee's conclusion about the need for the functions and structures of Departments' central divisions to change as Next Steps is implemented. Their prime role will be to set targets and judge performance in an arms-length relationship with Agency management. As more Agencies are launched they will need to concentrate their resources and, as necessary, adapt their structures on a number of key roles. These will include: assisting Ministers in the formulation of policy including the policy to be executed by Agencies (though the latter will of course advise where this is appropriate); the periodic monitoring of their Agencies' performance and, in the longer term, the evaluation of the decision to create Agencies and the way this has been implemented. A key aim of Next Steps has been to separate out these functions from the management and delivery of services. The implications of the initiative for the centres of Departments are likely to be as radical and beneficial as the greater management freedom and accountability will be for Agencies.

CONCLUSION

The Government remains firmly committed to implementing the Next Steps Initiative. It will continue to press forward with the process of identifying and setting up appropriate areas as Executive Agencies. This however is only the start. The objective is to ensure that Agencies deliver the full benefits they are capable of. For this, a number of key ingredients have been identified. These include:

- the need for Departments and Agencies to use to the full the managerial freedoms and incentives they are getting and to delegate to the maximum extent the operation of these to local management

- the need to make sure that the right people are found for key positions in Agencies, whether from outside or inside the Civil Service.

- the need for the centre of Departments to substitute strategic management for detailed day-to-day "hands on" control.

- the need to use newly launched Agencies and their Framework Documents as a springboard to press for further improvement.

Next Steps is about preparing the Civil Service for the challenge of the 1990s. The Government welcomes the Committee's continued interest in the subject.

APPENDIX

Agency	Staff
Executive Agencies established	
1. Vehicle Inspectorate	1,550
2. Companies House	1,150
3. Her Majesty's Stationery Office	3,200
4. National Weights and Measures Laboratory	50
5. Warren Spring Laboratory	300
6. Resettlement Agency	550
7. Civil Service College	200
8. Queen Elizabeth 11 Conference Centre	50
9. Historic Royal Palaces	350
10. Laboratory of the Government Chemist	300
TOTAL	**7,700**
Executive Agency candidates announced	
1. Air Officer Training(Defence Support)	2,000+
2. Building Research Establishment	650
3. Cadw	200
4. Central Office of Information	800
5. Central Statistical Office	1,000
6. Central Veterinary Laboratory	550
7. Civil Service Commission	300
8. Defence Research Agency	12,000
9. Department of the Registers of Scotland	950
10. Director General of Defence Accounts(Defence Support)	2,100
11. Driver Testing and Training	2,000
12. Driver Vehicle Licensing Directorate	5,400

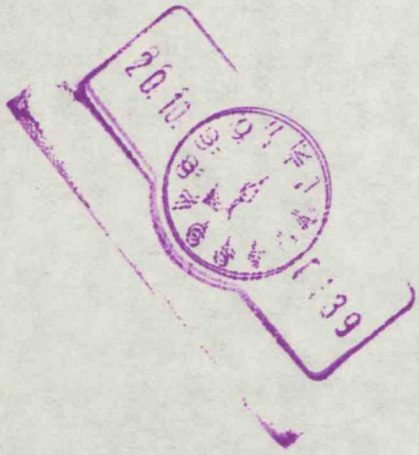
13. Employment Service	35,000
14. Forensic Science Service	550
15. Fuel Suppliers Branch	under 50
16. Her Majesty's Land Registry	10,500
17. Historic Buildings and Monuments Directorate	500
18. Hydrographer of the Navy (Defence Support)	900+
19. Insolvency Service	1,400
20. Intervention Board for Agricultural Produce	800
21. Meteorological Office	2,250
22. Military Survey (Defence Support)	800+
23. National Engineering Laboratory	600
24. National Physical Laboratory	750
25. Occupational Health Service	100
26. Passport Department	1,100
27. Patent Office	1,300
28. Planning Inspectorate	500
29. Property Holdings	1,600
30. Radiocommunications Division	450
31. Royal Parks	550
32. Service Children Education Authority (Defence Support)	1,300#
33. Social Security Operations Benefits	77,000
34. Social Security Operations IT Services	3,000
35. Training Agency	11,800
36. Vehicle Component Approval Division	100
37. Veterinary Medicines Directorate	50
TOTAL	**180,700**

Northern Ireland Civil Service

Executive Agency candidates announced

1. Employment Training	1,600
2. Rating Division	250
3. Social Security Operations	4,250
TOTAL	**6,100**

* Figures are based on staff in post as at 1 July 1989
+ Figure does not include Service personnel
# Figure does not include locally recruited staff



20.10.
139

Cecil Mack
Rayner

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

CONFIDENTIAL

The Rt Hon Norman Fowler MP
Secretary of State
Department of Employment
Caxton House
Tothill Street
London
SW1H 9NF

19 October 1989

Dear Norman,

EFFICIENCY SCRUTINY: INVESTIGATION OF SOCIAL SECURITY FRAUD

In his reply of 12 June to your letter of 8 May about the Scrutiny Report on fraud, John Moore agreed that we should not proceed with a joint DE/DSS organisation and set out an alternative approach for the establishment of a sectorised DSS fraud organisation.

As you know, we are in the process of setting-up a Social Security Benefits Agency, of which fraud investigations will form an integral part. It is essential, therefore, that the revised fraud organisation is dovetailed to fit in with our overall plans. Work has continued, therefore, on the preparation of an Action Plan and a revised organisation which it is hoped to finalise shortly. The Action Plan will include the need for liaison at a higher level than at present between our Departments on casework where there is joint interest.

I am conscious that although this work is going ahead, a final decision on publication of the report has not yet been taken. This has, of course, constrained discussions between officials even within my Department. We have now reached the point where there is an urgent need to consult operational managers and a copy of the report is being sent to each of our Regional Controllers under a CONFIDENTIAL classification. I am anxious to remove that classification and to press ahead with full-scale consultations. An early decision is required, therefore, on whether or not the report should be published in full and I should be glad to learn whether on further reflection you have identified any particular passages that are not suitable for a wider audience.

I am copying this letter to the Prime Minister and to Sir Angus Fraser.

Yours ever,
Tony

TONY NEWTON

Sovit Mach:
Rayter
Pt 31



mrm a:

DoHVFM:AP

10 DOWNING STREET

LONDON SW1A 2AA

21 September 1989

From the Private Secretary

VALUE FOR MONEY SEMINAR

Further to my telephone call I am writing to confirm that the new time for the Prime Minister's seminar on Value for Money in the Department of Health is 1145 on Tuesday, 28 November.

The Efficiency Unit will be in touch with you in the near future to discuss the agenda for the meeting.

I am copying this letter to the Private Secretaries to Sir Christopher France (Department of Health), Sir Angus Fraser (Efficiency Unit) and to Sir Robin Butler (Cabinet Office).

MRS. AMANDA PONSONBY

Miss Kim Hayes,
Department of Health

KK

FILE MRM a:

MAFFVFM.AP

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 September 1989

Since there have been changes in your Department I am writing to confirm that the date for the Prime Minister's seminar on Value for Money in the Ministry of Agriculture, Fisheries and Foods is Wednesday, 6 December at 16.30.

The Efficiency Unit will be in touch with you in the near future to discuss the agenda for the meeting.

I am copying this letter to the Private Secretaries to Mr. D. H. Andrews (MAFF), Sir Angus Fraser (Efficiency Unit) and to Sir Robin Butler (Cabinet Office).

MRS. AMANDA PONSONBY

Ian Fugler, Esq.,
Ministry of Agriculture,
Fisheries and Food

KK

JW7876p

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~~ Health

CCPW.

Amanda
Any observations?
AT 20/9

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
London SW1

19 September 1989

Dear Andrew

VALUE FOR MONEY SEMINAR: DEPARTMENT OF HEALTH

Thank you for your letter of 14 September. top encl. It was very helpful of you to agree to defer the seminar until sometime after mid-November.

I can understand your annoyance at the need to postpone the meeting and it will not help to carry out a detailed post mortem. But having looked at our papers here I share your irritation, as I know does Sir Christopher. The only letter we had from No 10 (dated 18 May and incidentally addressed to an AO in our Correspondence Section and not received here until 22 June) simply stated that there was a Value for Money Seminar on 27 September to which my Secretary of State and Permanent Secretary were invited. There was no suggestion in the letter that this was a seminar about the Department of Health nor that our two participants would need to give a presentation. I accept that we should have tried to find out more details about this, but equally I think it would have been helpful if you had volunteered rather more information in the first place and transmitted it more appropriately.

PV30

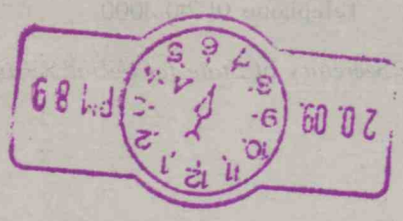
I understand that the Efficiency Unit first made contact with officials here towards the end of August at the height of the holiday season. They too seemed uncertain as to what was involved other than that there would be a presentation followed by questions.

I am sure it is now right for this meeting to be put on a proper footing and for officials here to liaise with those in the Efficiency Unit so that an agenda can be prepared. We will of course bend our efforts towards ensuring that the seminar is successful and worthwhile.

I am copying this letter to Sir Robin Butler, Sir Angus Fraser and Don Brereton.

Yours
And

A J McKEON
Principal Private
Secretary



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Gov MACH
Rayner Pt 31.

CONFIDENTIAL

10 DOWNING STREET

From the Principal Private Secretary

14 September 1989

VALUE FOR MONEY SEMINAR; DEPARTMENT OF HEALTH

You raised with me the difficulties which have arisen over the Seminar scheduled for 27 September. You said that the senior officials and Ministers who would be involved had only just become aware of the existence of the Seminar and that, given their other pre-occupations with the implementation of the NHS Review and the ambulancemen's strike, they felt that they could not prepare adequately.

It is extremely annoying that a meeting confirmed in a letter from here on 18 May should have taken you so by surprise but, having spoken to Sir Christopher France, I accept that it would be counter-productive to put a presentation to the Prime Minister which was under-prepared. I agreed that we should postpone the Seminar. I am now looking for an alternative date though this is unlikely to be before mid-November.

Meanwhile, I would be grateful if officials in the Department could liaise with the Efficiency Unit to agree on an agenda so that a fully prepared Seminar could be put on some time after mid-November.

I am copying this letter to Sir Robin Butler, Sir Angus Fraser and Don Brereton.

ANDREW TURNBULL

Andy McKeon, Esq.,
Department of Health.

CONFIDENTIAL

RESTRICTED

FILE JD 95

cc: [PTO]

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 August, 1989.

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

The Prime Minister was grateful for Mr. Luce's minute of 1 August and for the report enclosed with it. She very much hopes that progress will be maintained, and that Departments will sustain their efforts to encourage increased interchange between Government and industry.

As far as the specific point about advertising for the Bridge Programme is concerned, the Prime Minister has commented, however, that the advertising figures and the small number of enquiries speak for themselves, and that this should not be a priority for advertising time or money.

I am sending copies of this letter to the Private Secretaries to the Members of the Cabinet, Members of Misc 133, and to Myles Wickstead (Mrs. Chalker's Office, Foreign and Commonwealth Office), Sheila James (Mr. Ryder's Office, HM Treasury), Kevin Mullany (Mr. Howarth's Office, Department of Education and Science), Robert Keen (Earl of Arran's Office, Ministry of Defence), and Trevor Woolley (Cabinet Office).

Dominic Morris

Martin Le Jeune, Esq.,
Office of the Minister for the Arts.

RESTRICTED

MRM

CABINET

Principal Private Secretary
Home Office
Queen Anne's Gate
SW1

Principal Private Secretary
Ministry of Agriculture,
Fisheries & Food
Whitehall Place
SW1

Principal Private Secretary
Lord Chancellor's Office
House of Lords
SW1

Principal Private Secretary
Department of the Environment
2 Marsham Street
SW1

Principal Private Secretary
HM Treasury
Parliament Street
SW1

Principal Private Secretary
Scottish Office
Whitehall
SW1

Principal Private Secretary
Foreign and Commonwealth Office
Downing Street
SW1

Principal Private Secretary
Welsh Office
Whitehall
SW1

Principal Private Secretary
Department of Education & Science
Elizabeth House
York Road
SE1

Principal Private Secretary
Department of Trade & Industry
1 Victoria Street
SW1

Principal Private Secretary
Northern Ireland Office
Whitehall
SW1

Principal Private Secretary
Lord President's Office
Privy Council Office
Whitehall
SW1

Principal Private Secretary
Ministry of Defence
Main Building
Whitehall
SW1.

Principal Private Secretary
Department of Transport
2 Marsham Street
SW1

Principal Private Secretary
Department of Health,
Richmond Terrace,
Whitehall,

The Private Secretary
Chief Secretary's Office
HM Treasury
Parliament Street

Principal Private Secretary
Lord Privy Seal's Office
Management & Personnel Office
Whitehall
SW1

Principal Private Secretary
Department of Energy
Thames House South
Millbank
SW1

Principal Private Secretary
Department of Employment
Caxton House
Tothill Street
SW1

Principal Private Secretary,
Department of Social Security
Richmond Terrace,
London,
SW1.

Principal Private Secretary
Chancellor of the Duchy of
Lancaster's Office
Cabinet Office
70 Whitehall
London SW1

Trevor Woolley Esq
Cabinet Office
Whitehall
SW1

MISC 133
As at 10.10.88

The Principal Private Secretary
Financial Secretary's Office
H.M. Treasury
Parliament Street
London SW1

The Principal Private Secretary
Minister of State's Office
Timothy Renton, Esq., M.P.
Home Office
Queen Anne's Gate
London SW1

The Principal Private Secretary
Department of Trade and Industry
1 Victoria Street
London
SW1

The Principal Private Secretary
Minister of State's Office
Welsh Office
Gwydyr House
Whitehall
London SW1

The Principal Private Secretary
Minister of State's Office,
Department of Employment
Caxton House
Tothill Street
London SW1

The Principal Private Secretary
Minister of State's Office
Michael Howard, Esq., Q.C., M.P.
Department of the Environment,
2 Marsham Street
London SW1

The Principal Private Secretary
Minister of State's Office
Scottish Office
Dover House
Whitehall
London SW1

The Principal Private Secretary
Minister of State's Office
Department of Transport
2 Marsham Street
London SW1

The Principal Private Secretary
Parliamentary Under-Secretary
of State's Office
Peter Viggers, Esq.
Northern Ireland Office
Whitehall, SW1

The Principal Private Secretary
Parliamentary Under-Secretary
of State's Office
Hon. Francis Maude, M.P.
Department of Trade and Industry
1 Victoria Street, SW1

The Principal Private Secretary
Parliamentary Under-Secretary
of State's Office
Department of Health
Richmond Terrace
Whitehall, SW1

The Principal Private Secretary
Parliamentary Under-Secretary
of State's Office
Ministry of Agriculture,
Fisheries and Food
Whitehall Place SW1

The Principal Private Secretary
Parliamentary Under-Secretary
of State's Office
Lord Skelmersdale,
Department of Social Security
Richmond Terrace, Whitehall, SW1

Trevor Woolley Esq.,
Private Office,
Cabinet Office,
Whitehall

CCPC

THE DEPARTMENT OF TRANSPORT

NBPM
CAB
14/8

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade
and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

My Ref:

Your Ref:

11 AUG 1989

Dear Nick,

RELEASING ENTERPRISE: ROLLING PROGRAMME OF DEREGULATION REVIEWS

You will have seen David Young's recent report to the Prime Minister on the progress so far achieved on the rolling programme of deregulation reviews. David invited comments on the value of the programme.

Michael Portillo and I welcome the report, which demonstrates clearly the value of continually assessing the effect of Government regulations and administrative procedures on business. The benefits of the programme so far are impressive, and we will continue to do all we can to keep up the pace in a field where this Department has a particularly good record. We are now going out to consultation on the passenger and goods vehicle operators licensing review which David mentions in his report.

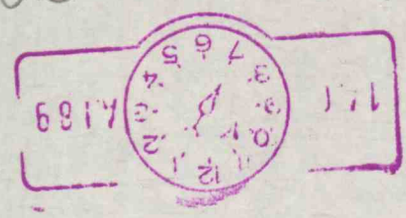
Michael Portillo recently wrote to Francis Maude suggesting a review of type approval procedures for marine equipment as our contribution to the second round. I know that he and our Deregulation Unit will vigorously pursue this and the other possibilities which MISC 133 is to consider.

I am copying this letter to Cabinet colleagues, to members of MISC 133, to Sir Angus Fraser and to Sir Robin Butler.

Yours ever,

CECIL PARKINSON

Govt Mach : Rayner Pt 31



cc PUS

W0209

Note
This replaces No
minute of 31 July. No need
for any reply.

MR GRAY - No. 10 10 August 1989

GOVERNMENT RESEARCH ESTABLISHMENTS.

Thank you for your letter of 24 July recording the Prime Minister's reaction to my paper on the Government Research Establishments. I fully understand the Prime Minister's wish for a programme of action which I will pursue with Departments and report back in the autumn.

2. I am copying this minute to Private Offices of E(ST) members, Mr Kemp and Sir Robin Butler.

JOHN W FAIRCLOUGH
Chief Scientific Adviser

Gov't Mach: Rayner
Pt 31

10 OCT JAN 99

54
MRM

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

MR. J. S. NEILSON
CABINET OFFICE

cc: Mr. Woolley
Mr. Wilson
Mr. Monger

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

The Prime Minister has seen your minute of 2 August to Paul Gray. She agrees that she should thank Mr. Luce for his report and express the hope that progress will be maintained. She does not feel however that there is any point in asking for a further report on the effectiveness or cost-effectiveness of the publicity campaign mounted for the Bridge Programme. She considers that the advertising figures and the small number of enquiries speak for themselves; and that this work would not be a priority in future for advertising time or money.

CAROLINE SLOCOCK
9 AUGUST 1989

MRMAKP

EA

MINISTRY OF DEFENCE
WHITEHALL LONDON SW1A 2HB
Telephone 01-218 6621 (Direct Dialling)
01-218 9000 (Switchboard)

Minister of State
for Defence Procurement

D/MIN(DP)/AC/4/5/1/1

9 August 1989

RELATIONS WITH COMMERCE AND INDUSTRY

Thank you for copying to me your letter to David Young concerning relations with industry and commerce.

As you will be well aware, our approach to procurement is derived directly from our desire to obtain the best overall value for money for the defence budget. The two key principles which govern our approach are to make use of competition wherever reasonable and practical and to act in a commercially astute manner. Not only does this competition benefit the Ministry of Defence, but it also promotes the efficient use of industrial resources leading to greater export success for British industry and the promotion of new ideas. The indicators of the success of these policies is that last year some 59% of contracts placed in the UK were placed by competition or reference to market forces, compared with 37% in 1981/82. Similarly, our defence exports have been on an upward trend, with sales of around £3.5Bn in 1987 - almost double the value sold in 1981.

Turning to the questions you posed to my Department, the Ministry of Defence does not maintain any sectoral responsibilities for sponsoring the defence industry. There are a few areas of defence technology where we judge it necessary to have a domestic capability, but these are maintained for defence reasons and not those of industrial policy. We do not therefore have an organisation to deal with industrial sponsorship (the Procurement Executive's

The Rt Hon Nigel Lawson QC MP

Directorate of Procurement Policy operates rather in the reverse direction - promoting the maximum use of competition and keeping a watching brief on industrial developments which might inhibit our ability to apply these policies.

The Defence Export Services Organisation, which also reports to the Chief of Defence Procurement, provides assistance to individual firms, or groups of firms, wishing to sell defence equipment abroad. But it does this on a case by case basis and it too has no responsibility for sponsoring the defence industry per se.

I am copying this letter to the Prime Minister, other members of E(CP) and Sir Robin Butler.

ALAN CLARK

Govt Mach - Rayner PtB1.

11.M. 1139

CCPA

NBPM.

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

C89/3807

Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
Parliament Street
LONDON SW1

4 August 1989

Dear Norman.

NEXT STEPS AGENCIES - AMENDMENT OF GOVERNMENT TRADING FUNDS ACT 1973

John Major wrote to me on ~~19~~ 21st July about this.

I am content generally with this way forward, though this is as we know a complex area and we shall all want to look carefully at the proposed legislation as it is drafted and at the draft White Paper which will accompany it. Next Steps Agencies will of course cover a very great range of different activity, and it will be important to ensure that the legislation permits Agency Funds to be created wherever this is likely to encourage better management and value for money taking into account all the various types of relationships between the Department and the Agency. Your officials and mine are keeping in close touch, and I am grateful to you for that.

In referring to the proposed White Paper John Major said that as well as explaining the purpose of the Bill, it would set it in the context of the financial regimes available for Agencies generally. I think this is an extremely important dimension. Not all Agencies will justify Agency Funds, but it is important that the "on Vote" arrangements which will apply to those not justifying such funds are as flexible and effective in encouraging good management in the Agencies as possible. It will, I think, be important, before taking a final view on the package to ensure that there is a consistent approach across the whole spectrum of Agency activities both off-Vote and on-Vote.

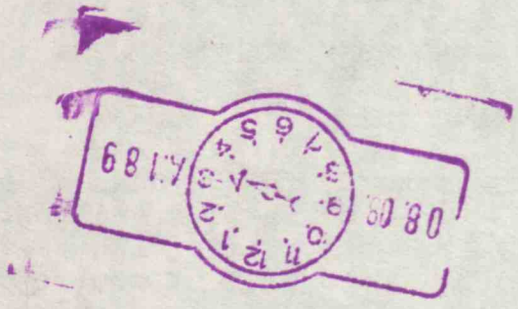
I am copying this letter to those who had copies of John Major's.

Richard

RICHARD LUCE

GOVT MACH: Rauner PT31.

08.09 A.1189



Prime Minister! Content to respond to Mr. Luce in the terms of paragraphs 4-5 below.

CABINET OFFICE
A 8814
3 AUG 1989
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FILE No. .....

RRC6 4/8

See overpage

c-Sir R Butler

1. MR MONGER
2. MR WILSON
3. SIR ROBIN BUTLER
4. MR GRAY

I am afraid that the advertising programme was not cost-effective but I see no point in rubbing that in unduly. So I suggest that the PM asks for a further report at the end of the year on its effectiveness, not cost-effectiveness.

FERB 3.8.

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

1. The Prime Minister has received from Mr Luce a second progress report on the initiative to increase secondments and other forms of contact between Government and business.

2. Some further progress has been made in increasing the number of long-term secondments. There are 582 inward and outward secondments in progress at present, compared to 505 last year. Annex A shows that some Departments have already met the targets on secondments for this year which they set themselves, but that overall further progress needs to be made if these targets are to be achieved. Clearly some Departments chose to set themselves more demanding targets than others.

3. The report notes that on 1 March Lord Young and Mr Luce launched a publicity campaign on secondments, called the Bridge Programme, at a cost of £563,000. Some 1200 information packs were dispatched following this publicity, and 200 enquiries have subsequently been made to Departments. The report suggests that it is too early to assess how many new secondments will be attributed to the campaign. The Prime Minister might wish to ask for a report on the cost-effectiveness of this campaign, say by the end of the year when the relevant information ought to be available.

4. In his first report Lord Young said that this report would describe Departments' plans for developing their interchange programmes over the next five years. Although Mr Luce says that a number of Departments have plans to maintain the momentum over this period, he suggests it is important that colleagues ensure similar efforts are made in all Departments. The Prime Minister may wish to endorse this.

5. The Prime Minister may be content for a private secretary reply to be sent to Mr Luce, thanking him for his report and welcoming the progress made. She might however go on to suggest that, when Mr Luce circulates to colleagues his 1989 Report on Interchange Between the Civil Service and Other Organisations, he should also report further on the ~~cost~~-effectiveness of the publicity campaign mounted for the Bridge Programme and on the state of Departmental plans for secondments over the next five years.

I'm afraid the advertising figures & the small no. of enquiries speak for themselves and I see no point in asking for a further report. Moreover this would not be a priority for advertising time is money, so there is no need to embark on a further round.

Agree we thank for the report and hope that progress will be maintained MT.

J S Neilson

J S NEILSON
Economic Secretariat
August 2, 1989

Cort Mach - Rayner Pt 31

MINISTER OF STATE, PRIVY COUNCIL OFFICE

C89/3710

PRIME MINISTER

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

You wrote to David Young on 26 July 1988 supporting the main recommendations in the report by an Interdepartmental Steering Group on plans to improve understanding between Government and Business (GB). You asked departments to report to MISC 133, in January and July 1989, on progress in implementing their programmes to give effect to the recommendations, and for David Young to report to you on both occasions. He sent his first Progress Report to you on 4 April.

... I now attach a further report. I sent copies of it to David Young, to members of MISC 133, and to a number of other colleagues on 19 July recommending that, subject to any comments made by colleagues, he should send it to you. However Nicholas Ridley, and your office, agree that it would now be appropriate for me to submit it to you.

Interchange of staff with Industry and Commerce has increased substantially, with 582 long-term inward and outward secondments currently, compared with 505 in the whole of 1988. Short-term attachments have also increased considerably.

Considerable progress has been made in extending secondments to a wider range of grades, involving more regional staff, and arranging more secondments with small and medium-sized companies. However, some departments have commented on the shortage of good-quality inward secondees and on the apparent reluctance of some employers and prospective secondees to consider a secondment to the Civil Service.

David Young and I publicly launched the GB initiative as the Bridge Programme on 1 March. The report includes an evaluation of this. Of the approximately 1200 companies which responded to the advertising, about half were from the South-East, and just over half had fewer than 100 employees. About 200 organisations have approached government departments as a result of the publicity. The advertising campaign finished on 31 May, and a number of companies are no doubt still considering the information they have been sent and whether or not to follow it up by contacting a government department. In most cases where contacts have been made with departments, discussions about secondments are still going on, so it is too soon to measure the success of the campaign in terms of the secondments and attachments that it has generated.

In his April report, David Young said he would invite departments on this occasion to describe their plans for sustaining and further developing their programmes over the following five years. The report says that a number of departments have machinery in place which will ensure that a vigorous momentum is maintained over the next five years. I think it is important that colleagues ensure that similar efforts are made in all departments.

A full account of secondment activity during the year will be included in my department's 1989 Report on Interchange Between the Civil Service and Other Organisations. It will reflect the first 10 months' activity under the Bridge Programme and would be an appropriate means by which progress can be monitored and you and colleagues be kept informed.

I am copying this to members of the Cabinet and of MISC 133, Lynda Chalker, Richard Ryder, Alan Howarth, the Earl of Arran, and Sir Robin Butler.

Richard Luce

RICHARD LUCE

GOVERNMENT AND BUSINESS

PROGRESS REPORT: JULY 1989

Introduction

1. This report records progress by departments in implementing their programmes aimed at improving understanding between government and business (GB) following the launch of the GB initiative last summer.

Summary

2.i. The interchange of staff with industry and commerce has increased substantially with 582 long-term inward and outward secondments currently, compared with 505 in 1988. Short-term attachments have also increased considerably, due mainly to the attachment of 500 staff from the Department of Employment to industrial or commerical organisations as part of the department's professional development programme.

ii. a number of departments have, however, referred to difficulties in attracting sufficient inward secondees of the right quality;

iii. the data suggest that nearly two-thirds of outward secondments, attachments, etc, are to companies outside the South-East, and that about one quarter are to companies with fewer than 500 employees;

iv. opportunities for secondments, attachments, etc, are being extended to a wider range of grades;

v. the Bridge Programme was launched on 1 March with a press conference, a mail-shot of an information pack to 15500 companies, and national press advertisements, at a cost of £563000;

vi almost 1200 companies responded to the advertisements by asking for the information pack. Nearly 200 have approached government departments. It is likely that a number of other companies which asked for the information pack are considering whether to pursue matters further;

vii. a number of departments have put machinery in place which will ensure that a vigorous momentum will be maintained over the next five years. It is important that ministers and senior management continue to support the initiative and that all departments have satisfactory machinery in place;

viii. guidance on the effect of accounting procedures on secondments is being issued by the Treasury;

ix. progress has been made with arrangements for indemnification against liabilities of civil servants appointed as non-executive directors, and for reporting the contingent liability to Parliament;

x. future progress on the GB initiative will be covered by the OMCS' Annual Report on Interchange between the Civil Service and Other Organisations.

Background

3. The Prime Minister wrote to Lord Young on 26 July 1988 supporting the main recommendations in the report by an interdepartmental steering group on plans to improve understanding between government and business. She asked departments to report to MISC 133, in January and July 1989, on progress in implementing their programmes to give effect to the recommendations, and for Lord Young to report to her on both occasions.

progrpt
General/Ethernet 5

4. The first progress report was considered by MISC 133, out of committee, earlier in the year, and Lord Young reported to the Prime Minister on 4 April. The Prime Minister said that she was pleased to note the progress that had been achieved so far, and looked forward to seeing the promised further report in July.

5. Annex A shows the present position on interchange with business. At Annex B are the figures for longer-term secondments to and from business organisations which were in operation in 1988. For completeness, Annex B also includes data about secondments with non-business organisations, such as the EC and public authorities, to which some departments give priority in their secondment arrangements. At Annex C is a table showing the annual total of long-term secondments with business for each year since 1977. Annex D describes plans and progress on training, recruitment, career development (including the regional careers initiative), and the Whitehall and Industry scheme.

Present position

6. Annex A shows a significant overall increase in secondment activity since the last progress report. As regards inward secondments, a number of departments have referred to difficulties in attracting staff from business organisations. For example: (i) the lending employer's staff shortage led to an inward secondment with Customs and Excise ending prematurely; (ii) the specialist nature of the Inland Revenue's work restricts the opportunities for inward secondments; and (iii) some other departments (eg FCO, ODA) have commented on the shortage of good-quality inward secondees, and others (eg Energy, Scottish Office) on the apparent reluctance of employers or prospective secondees to consider a secondment to the Civil Service. Despite these dificulties in attracting sufficient numbers of suitable inward secondees, the current total (200) exceeds that for 1988 as a whole (194).

progrpt
General/Ethernet 5

7. The numbers of outward secondments (382) and non-executive director appointments (53) show substantial increases over the April figures (262 and 46 respectively). The short-term attachments figure has increased considerably, due mainly to the fact that about 500 of D.Em's staff are being attached during the year to industrial or commercial organisations as part of the Department's professional development programme.

8. The GB initiative is intended to extend the range of interchange to more grades and to regional staff, and to involve more small and medium-sized companies. Departments were invited, where possible, to indicate how many of their current secondments, non-executive directorships, and short-term attachments were (a) with firms of fewer than 500 employees, and (b) with firms outside the South-East region. Some 13 departments provided this information, and the data suggest that nearly two-thirds of outward secondments, attachments, etc are to companies outside the South-East; and that about one quarter are to companies with fewer than 500 employees.

9. It is clear that a number of departments have responded to the proposal that opportunities for secondments, attachments, etc should be extended to a wider range of grades. Some departments have targets to ensure that a specified proportion of secondees should be from particular grades or groups of grades. Fuller information about the spread of grades, and about the regional distribution and size of companies involved, will be collected for the Cabinet Office (OMCS)' 1989 report on Interchange of Staff Between the Civil Service and Other Organisations.

Next Steps

10. There is a widespread appreciation among departments of the link between the GB initiative and Next Steps. As DEm commented "It is now clear that developments during the next five years, including the probable establishment of agencies, and the development of Training and Education Councils, will call more

than ever before for a pool of staff with the flexibility to cope with a changing Civil Service and with a detailed understanding of their client's environment". Many departments, showing their awareness of this, will continue to have Next Steps requirements in mind when considering the shape and scope of their GB programmes. Next Steps Agencies themselves, when set up, will of course participate fully in the GB initiative and, depending on how different arrangements emerge, this could affect departments' existing programmes either way.

The Bridge Programme

11. The formal public launch of the GB initiative, as the Bridge Programme, was by means of a Press conference given by Lord Young and Mr Luce on 1 March. This was followed by a three-month marketing campaign for which TBWA was appointed agent, following competitive tender. Coinciding with the press conference was a mail-shot of an information pack to 15,500 managing directors/chief executives of companies with over 100 employees. The pack contained a letter from Lord Young and featured the case histories of secondments to and from 19 government departments. Companies which were interested were invited to get in touch with named departmental contacts. The national press advertisements invited those who wished to find out more to fill in a coupon or call a free-phone number. The whole campaign cost about £563,000.

12. The total response to the campaign was 1,194. This represents a response rate of 2.7% - which, according to TBWA, compares favourably with the average response rate of 1.5% for campaigns of this type. About half of the responses came from the South-East; 53% came from companies with under 100 employees; 52% came from service companies; and 20% from manufacturing companies.

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13. A feature of the campaign was the telemarketing follow-up, during which some 400 companies which had requested further details were contacted. Some 45% wanted to talk further about the programme with a particular government department to which details of the companies were sent so that the departments concerned could get in touch with them. About 80 of the companies wished to pursue the matter with the DTI but, in the event, only about 20% of these raised a realistic prospect of participating in secondments or attachments.

14. 197 outside organisations approached government departments as a result of the publicity in the information pack. Some departments have expressed their disappointment, partly over the volume of enquiries and partly over the nature of some enquiries and of the organisations making them. Customs and Excise said that most of the enquiries directed at them were from charities seeking a free secondment, or from small concerns seeking subsidised assistance. The Department of Health received only a modest number of enquiries but believed that some of them might prove to be fruitful. The department was, however, critical of the telemarketing follow-up as a result of which they found themselves being contacted by organisations which were interested in secondments with other bodies outside the civil service, or by other organisations which did not appear to be seriously interested in interchange. The Scottish Office said that many enquiries which they received, especially from the follow-up, were from organisations which were very small - fewer than 10 employees - and which appeared to want an extra pair of experienced hands at no extra cost. A number of departments received a satisfactory response, however, and some (eg Employment, Environment, Health) are optimistic that useful long-term contacts will be made.

15. The advertising campaign finished only on 31 May and it is likely that a number of companies which have asked for the information pack are still considering whether or not to pursue the matter by contacting a department. In the great majority of cases where contact has been made, discussions about secondments are still going on. So it is as yet far too early to say how many secondments, attachments etc will be attributed to the campaign. The response from very small companies, some of which apparently believed that the Government was offering them cheap labour to get their businesses off the ground, does, however, suggest that the scope to shift the emphasis from large companies to small and medium-sized companies may be less than was originally thought.

Plans for the next five years

16. In addition to reporting progress on the GB initiative to date, departments were invited to describe (without giving quantified targets) their plans for sustaining and further developing their programmes over the following five years. From the responses that were made, it is clear that a number of departments have rigorous and realistic longer-term objectives, well-considered and developed machinery for ensuring that a vigorous momentum will be maintained in later years, and proposals for the effective monitoring of performance against targets and plans. Notable among such departments are Customs and Excise, MOD, DOE, and DSS.

17. The continued success of the GB initiative, and of its beneficial impact on the effectiveness of the Civil Service, will depend crucially on the willingness of Ministers and senior management in departments to demonstrate their support for the various aspects of the initiative, by ensuring that it is

adequately resourced and that it is given an appropriate position in the list of departmental priorities. Also, it will be important for all departments to see that they have in place satisfactory machinery for reviewing their action programmes, plans, and targets, and for monitoring implementation.

Accounting for secondments

18. A number of departments, notably DEm, Energy, and IR, have raised with the Treasury two difficulties which an expanded programme of inward and outward secondments could raise. These are (a) absorbing the cost of both direct payment of salaries to outward secondees and repayment for inward secondees from within gross running cost provision; and (b) pressure on cash limits because payments need to be made to outward secondees before reimbursement is received from the host body. The official Steering Group set up by Sir Robin Butler to advise on implementation of the secondment schemes in response to business interest arising from the GB initiative, has noted that these matters involved an important issue of principle which should if necessary be brought to the attention of Ministers. They have been considered, at official level, between the Treasury and other departments concerned, and the Treasury are issuing guidance to Principal Establishment Officers and Principal Finance Officers on the points which have been raised.

Non-executive directors: contingent liabilities

19. Following further consideration and discussion with departments, a paragraph for inclusion in the Civil Service Pay and Conditions Code has been drafted, which sets out the circumstances in which departments may indemnify civil servants taking on non-executive directorships against liabilities. After

clearance by the Treasury Solicitor's Department, and subsequently by the Treasury, the contingent liability will be reported to Parliament. In their progress reports, departments have not referred to difficulties over liabilities or indemnities.

Next report

20. Full information about each year's secondment and attachment activity, across the Service generally, is contained in the Cabinet Office (OMCS)' Annual Report on Interchange. The OMCS will be writing to departments around the turn of the year to ask for the necessary information for the 1989 Report. On that occasion, departments will also be asked to provide further information about the size of the outside organisations receiving Civil Service secondees or non-executive directors and, as in the past, about regional and grade distribution. The Report is expected to be available in the Spring of 1990. It will record further progress under the GB initiative and will reflect the first 10 months of activity following the launch of the Bridge Programme.

Senior Staff and Europe Division
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Horse Guards Road
London SW1

July 1989

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Annex A

INTERCHANGE BETWEEN GOVERNMENT
AND BUSINESS: THE NUMBERS INVOLVED
Targets are shown outside brackets; existing numbers within.

Department	In	Secondments OUT	NEDs	Short-term attachments
MAFF	-(2)	3(2)	6(5)	about 8(1)
Cabinet Office	16(16)	11(11)	2(1)	-
Customs & Excise	2(1)	5(5)	2(0)	1(1)
MoD	60(60)*	161(161)*	6(7)	-
DES	6(6)	4(2)	4(2)	6(0)
D. Employment	5(5)	75(95)	5(2)	500(500)
D. Energy	10(14)	8(9)	4(2)	-(1)
DoE	16(15)	25(8)	15(15)	30(0)
ECGD	-(1)	5(1)	1(0)	15(6)
FCO	8(7)	7(8)	2(0)	-
D. Health	1(3)	4(2)	4(3)	-
Home Office	4(2)	6(2)	8(2)	-
Intervention Board for Agric. Produce	-	-(1)	-	-
Inland Revenue	10(0)	25(6)	-	-(4)
Lord Chancellor's Dept	1(1)	1(1)	1(1)	1(1)
Department for National Savings	3(0)	6(4)	-	-
Northern Ireland	4(4)	4(2)	-	-
ODA	1(0)	1(1)	3(0)	4(2)
Ordnance Survey	1(3)	2(5)	-	3(0)
Registry of Friendly Societies	-(5)	6+(0)	-	-

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Scottish Office	upto 14(1)	14(3)	5(1)	-(4)
D. Social Security	2(5)	4(4)	4(0)	Around 50(50)
DTI	60(30)	60(31)	14(9)	80(12)
DTp	10(3)	15(7)	5(1)	30(3)
Treasury	about 14	12(11)	2(2)	2(0)
Welsh Office	3(2)	6(0)	2(0)	3(1)
Totals	251(200)	470(382)	95(53)	733 (586)

Grand Total: Target: 1549

Existing: 1221

* Actual number in 1988

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ANNEX B

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1988

	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			TOTAL
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	
Ministry of Agriculture, Fisheries and Food	0	2	2	22	0	22	24
Cabinet Office	4	11	15	9	3	12	27
Central Office for Information	1	0	1	0	0	0	1
HM Customs & Excise	3	2	5	21	0	21	26
Ministry of Defence	161	60	221	132	7	139	360
Department of Education and Science	3	4	7	1	6	7	14
Department of Employment	37	1	38	37	31	68	106
Department of Energy	7	9	16	2	3	5	21
DOE (including PSA) and Transport	18	28	46	40	8	48	94
Export Credits Guarantee Department	1	1	2	0	0	0	2
Departments of Health and Social Security	6	7	13	31	63	94	107
Department for National Savings	1	0	1	0	0	0	1

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1988

	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			TOTAL
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	
Home Office	3	3	6	2	5	7	13
Inland Revenue	1	1	2	16	1	17	19
Lord Chancellor's Department	0	0	0	2	2	4	4
Northern Ireland Office	1	0	1	0	0	0	1
Office of Population Censuses and Surveys	1	0	1	2	0	2	3
Ordnance Survey	2	0	2	1	0	1	3
Overseas Development Administration	1	1	2	17	1	18	20
Public Record Office	1	0	1	0	0	0	1
Registry of Friendly Societies	1	7	8	0	0	0	8
Royal Mint	5	0	5	0	0	0	5
Scottish Office	4	1	5	7	6	13	18
Serious Fraud Office	0	2	2	0	0	0	2
Her Majesty's Stationery Office	0	0	0	1	0	1	1

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1988

	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			TOTAL
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	
Department of Trade and Industry	31	39	70	6	2	8	78
HM Treasury	14	11	25	10	0	10	35
Welsh Office	4	4	8	2	0	2	10
TOTAL	311	194	505	361	138	499	1004
Foreign and Commonwealth Office	9	13	22	4	0	4	26

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

2. The MOD Industry and Commerce figures include 75 graduate trainee engineers gaining experience of industry as well as working towards their professional qualifications (compared with 53 in 1987).

Annex C

INTERCHANGE WITH BUSINESS: 1977-1988

Overall, the number of longer-term secondments with business organisations has more than quadrupled since 1977. The detailed breakdown between inward and outward secondments on a year-by-year basis is as follows:

Year	Secondments out of Civil Service	Secondments into Civil Service	TOTAL
1977	63	60	123
1978	127	74	201
1979	131	82	213
1980	143	67	210
1981	140	64	204
1982	152	92	244
1983	189	104	293
1984	186	116	302
1985	229	157	386
1986	280	189	469
1987	278	195	473
1988	311	194	505

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Annex D

SUPPORTING ACTIVITIES
Training

1. Departments' progress reports have continued to reflect a wide range of ideas and approaches which underline the importance attached to business-related training. Clearly, many departments acknowledge the need, as Customs and Excise put it, "to further increase business awareness in the department by revising the focus of our internal and external training effort". A number of joint training ventures with outside organisations including business schools, feature in departments' training activities and plans. Some departments have reorganised to link training needs more closely to other related issues such as career planning and development, and recruitment.

2. The Civil Service College is seen as a major provider of business-related training. Almost all departments have referred to the encouragement they give to staff to attend the College's Government and Industry Courses. Some (eg DoE, DTI) have set specific attendance targets for certain grades. As a result of the enthusiasm shown by departments for Government and Industry training, the College have set up a range of other courses to meet the needs of staff for business awareness. These have been described in a "Government and Business" leaflet which has been widely distributed in Government Departments.

4. 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.

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5. The College's 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 communication skills are being revised to ensure that they take account of the needs of business.

6. 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. In 1987/8 the College attracted about 100 private sector students. This increased to 350 in 1988/9, and the College aims to increase this to 1,200 over the next 5 years (6% of College students).

Recruitment

7. On 13 April 1989, Mr Luce, Minister of State, Privy Council Office, announced changes affecting the role and responsibility of the Civil Service Commission from 1 April 1991. At that time Departments and Agencies will be free to carry out their own recruitment to grades and posts below Grade 7, except for fast-stream entrants. They will then be responsible for over 95% of recruitment, but will act under rules laid down by the Minister for the Civil Service, which will reflect the principle of selection on merit by fair and open competition. The Civil Service Commission will remain responsible for the recruitment and certification of the more senior grades at Grade 7 and above, and of their fast-stream feeder entries.

8. In 1988, the Commission undertook a further Direct Entry Grade 7 competition following the success of the 1987 scheme. The outcome did not match that of the previous year, with only 24

candidates recommended for appointment, of whom eight (33%) had commercial experience (55 and 53% respectively in 1987). In 1988, a trial scheme was undertaken for five Departments to recruit 154 Higher Executive Officers for posts in London. 125 were recommended for appointment, of whom 26 (29%) had current commercial/business experience.

9. 1988 showed a further increase in competitions to fill posts at Grade 6 level and above, 106 (compared with 78 in 1987 and 38 in 1986). The Commission approved 146 limited period appointments during 1988.

10. A number of departments referred in their progress reports to the changes in the Commission's role and responsibilities and to the correspondingly greater scope which they hope these changes will provide to enable them to respond to their own recruitment needs. A continuing increase in the use of short-term appointments is envisaged, as are a greater willingness to exploit measures such as non-standard working patterns, giving due weight to previous work experience, reviewing entry requirements, etc. A number of departments (eg Customs and Excise, Home Office, Land Registry, Social Security) have recognised the much tighter conditions that can be expected in the labour market in the 1990s and are undertaking reviews designed to ensure that they are satisfactorily placed to face the inevitable challenges.

Career Development

11. Many departments have amended Annual Staff Report Forms to record information about secondments undertaken by their staff; and computerised personnel records are being amended to ensure that such experience is recorded long-term. The importance of business attachments and secondments has been signalled to line and personnel managers and arrangements made to identify suitable posts and staff.

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13. Twenty-six government
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offer significant development
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15. Following an initiative taken by the DTI last year, the regional career development arrangements have continued to develop. These provide for a widening of the scope for regional careers by planning interchanges of staff between the offices of different government departments within the same region or area. Arrangements are well advanced for the interchange of staff in eight cities, and many major departments which have regional office networks are co-operating - eg Customs and Excise, Employment, Environment, Inland Revenue, Lord Chancellor's Department, DTI, Transport.

Whitehall and Industry

16. 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. The expansion is being phased - to maintain the quality both of the civil servants selected for the scheme and of the programmes provided for them by participating firms. The number of participating firms has now been increased from 30 to 42. The names of 42 civil servants have been forwarded to the industry side co-ordinator of the scheme with a view to attachments being arranged for them in 1989. In 1988 some 25 attachments were made.

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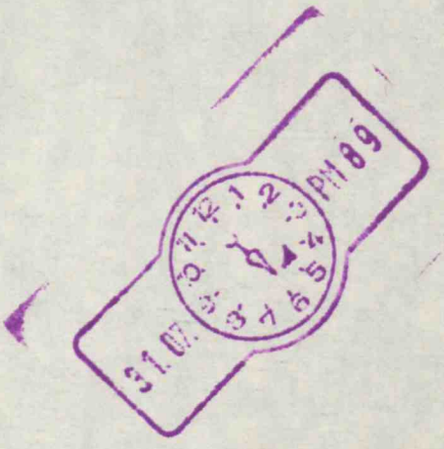


CC PLY

MAFF

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

nb pm

From the Minister

CONFIDENTIAL

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

2 August 1989

Dear Chancellor

top pt 30

RELATIONS WITH INDUSTRY AND COMMERCE

I enclose a MAFF paper in response to your letter of 12 June about relations with industry and commerce.

I shall want to make my own judgement on the points raised in your letter. But I have no doubt that the last ten years have seen profound changes in the agricultural and food industries, and the MAFF role has changed similarly. The reforms which we have negotiated in the CAP have weakened the interventionist mechanisms of the CAP and allowed much freer play to market forces. The cost of the CAP has been brought under firmer control, supply and demand are now in better balance, greater weight has been put on consumer considerations and in this country and the rest of the EC farmers are much more aware of the need to provide what the customer wishes. The Ministry, including the specialised commodity divisions, have played an important part in changing attitudes in the Community and in industry circles here. The need to allow market forces to move freely in the interests of consumers will be central to the policy thinking which I shall bring to the work of the Ministry.

Similar considerations led to the introduction of charging for advice by the Agricultural Development and Advisory Service (ADAS) and to set progressively tougher income targets. I believe that most people in the industry have accepted charging and ADAS has responded positively by adjusting its whole approach from that of a free service to one where success is measured by the ability to satisfy the market place.

/The Ministry has...

The Ministry has been adapting to meet the growing public concern over food quality and food safety. Recent events have demonstrated the much higher political profile which food safety now commands. Stricter controls are clearly required in some areas. The forthcoming Food Bill will clearly be very important to the work of the Ministry. In implementing new controls in this area and in our regulatory work generally, I shall be very much concerned with ensuring that there is no unnecessary interference with the working of the market.

The Community fisheries regime is inevitably regulatory in nature because of the need to conserve fish stocks and to ensure a fair distribution of fishing opportunities among Member States. Here again, I shall want to look very carefully at the scope for loosening the market support arrangements for fish. Domestically we are reviewing our fishing vessel grant arrangements and fisheries licensing and quota management. My concern here will be to look for arrangements which achieve greater play of market forces.

I shall want to look at the structure of the Ministry in the light of changing circumstances including in particular the need to give necessary emphasis to consumer and food issues.

I am sending copies of this letter to the Prime Minister, other members of E(CP) and Sir Robin Butler.

Yours sincerely

for

JOHN SELWYN GUMMER

(approved by the Minister and signed in his absence).

RELATIONS WITH INDUSTRY AND COMMERCE: MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

Background

1. MAFF, along with the three other Agriculture Departments for Scotland, Northern Ireland and Wales, has lead responsibility within government for the agriculture and fisheries sectors: MAFF has lead responsibility on a UK basis for the food sector. Overall staff numbers in MAFF have been reduced since 1979 by nearly 28%, which is above the average for the whole Civil Service. More than half of the reduction in numbers has taken place in the Agricultural Development and Advisory Service and the Ministry's regional organisation, which provide scientific, technical and professional services in support of the agricultural and horticultural industries and administer a number of schemes of financial support or incentives as well as carrying out R and D and a variety of enforcement functions in support of animal and public health, food safety and environmental protection. An important development in this area over recent years has been the introduction of charging for ADAS advisory services, for which a medium-term cost recovery target has been set. The main growth in work within MAFF in recent years has been on regulatory activities in defence of food safety, public health and the environment. This work lies mainly outside the scope of this Note.

Work of "sponsor divisions"

2. A table showing the numbers of staff in 1979 and now in the Headquarters Grade 3 groups listed in the Annex to the Chancellor's letter is appended to this Note. Inspectorial and research functions managed as part of these groups have been excluded, as have two Grade 5 divisions with non-sectoral functions. It should however be recognised that a significant proportion of the functions carried out by staff included in the table are entirely regulatory in nature.

As the table shows, overall staff numbers in these units have been reduced by nearly 14% since 1979. There have been minor re-organisations since 1979, involving transfers of responsibility between Grade 3 groups or between Grade 5 divisions within groups but these have not been such in themselves as to affect the roles and objectives of the units concerned. Departmental personnel policies ensure a regular turnover of staff as well as a constant interchange of staff between these and other HQ policy groups, thus avoiding any risk of "agency capture". Policies, particularly those involving a Community dimension as many of them do, have been subject to frequent reviews or renegotiation. Significant changes in policy objectives and instruments have taken place over recent years, mainly to the advantage of taxpayers' and consumers' interests and involving increased exposure of producers to market forces, in line with the Government's general policies. More detail is given below under the three main headings of agriculture, fisheries and food.

(i) Agriculture and Horticulture

3. There are three Grade 3 groups with lead responsibility for particular sectors of agriculture. These are, respectively the Meat, Milk and Arable Crops, Pigs and Poultry Groups comprising 8 Grade 5 divisions organised on a commodity basis. A fourth Grade 3 group includes two Grade 5 commodity divisions covering horticulture and plant breeding/seeds. The main activity of these commodity divisions is policy work and negotiation on the operation of the Common Agricultural Policy.

4. The CAP operates in two main ways (i) by managing the EC market for particular agricultural products, through variable import levies and the removal of surplus production from the market by subsidised export or storage, so as to produce the desired returns to producers directly from the market, or (ii) by supplementing market returns by direct payments to producers, first hand purchasers or processors. In some cases there are quotas on production, with penalties on any excess. These arrangements are sector - and even product - specific,

extremely complex and subject to constant change. They clearly have major economic implications for producers, consumers and taxpayers but operationally they can also impinge on traders and processors. They are embodied in binding legal instruments, with the Council of Ministers setting the framework and the basic price levels but with a good deal of subordinate regulatory activity, eg. on management of markets, delegated to the Commission, normally to be exercised in consultation with Management Committees representing the Member States.

5. The Ministry's current overall objective towards the CAP is defined as:

" to pursue policies in relation to the CAP which lead to a better allocation of resources, full recognition of UK interests, fair conditions of competition, and a reasonable balance between the interests of producers, traders and consumers".

Detailed objectives and plans for individual sectors, together with estimates of the financial and manpower resources required, are generated on an annual basis through the Ministry's top management system (MINIM), while specific negotiating positions are constantly reviewed under Ministerial direction and in consultation with the Treasury and other interested Departments.

6. The main tasks of the commodity divisions in pursuit of agreed policy objectives are to shadow and maintain contact with the equivalent commodity divisions within the Commission and in other Member States; to maintain liaison with UK producer, consumer and trade interests; to assist the Office of the UK Permanent Representative in Brussels in preparing business for the Council of Agriculture Ministers and to advise Ministers in negotiations at Council level; to represent the UK in Working Groups and Management Committees; and to secure the implementation of CAP arrangements in this country, mainly through the Intervention Board for Agricultural Produce or the Ministry's regional organisation, with particular regard to economy and regularity of expenditure and the avoidance of any disallowance of UK expenditure by the Commission.

7. Reform of the CAP, in pursuit of the general objectives referred to in the Chancellor's letter has of course been high on the list of the Government's priorities for Community business and MAFF has since 1979 engaged in a sustained exercise to bring the CAP within proper budgetary control; to limit CAP expenditure; to make the sectoral regimes more responsive to market forces; to return intervention to its proper role as a safety net; and to bring supply and demand into better balance. The success of this exercise which has been considerable, has depended to a large extent on the existence of a cadre of sectoral expertise within the commodity divisions.

8. Under the British Presidency in December 1986, signficant reforms to the beef and dairy regimes were made, weakening access to, and the support provided by, intervention for beef butter & skimmed milk powder; & milk quotas (introduced in 1984) were significantly cut back. Subsequent negotiations weakened intervention in the oilseeds and cereals sectors. The most significant reforms were those achieved at the February 1988 European Council. These have been thoroughly documented elsewhere but it should be noted here that MAFF in general, and the commodity divisions in particular, played a major and influential part in the whole of the future financing negotiations during 1987/8.

9. The process of reform has continued. A major review of the beef regime was completed earlier this year and has the effect of exposing our beef producers to market forces to a markedly increased degree. It is also noteworthy that, thanks in part to the sustained support given by the UK to the Commission, common support prices in ECU terms have fallen in each of the past 5 years. Domestically, in every year since 1979, food prices have risen less than inflation.

10. The pressure for further CAP reform needs to be maintained. In particular, as the Prime Minister noted when opening the Royal Show on 2 July, further deregulatory action is needed to eliminate MCAs by

1992; to reduce agricultural subsidisation and protection worldwide in the context of the current GATT Round; to ensure that the review of the sheepmeat regime results in improved arrangements consistent with UK objectives, and to get rid of coresponsibility levies which act as a tax on consumers (while preserving budgetary discipline). The Commission have responded very positively to pressure, principally from the UK, urging action against CAP fraud, and this will need to be followed through to ensure that effective action results.

11. The commodity divisions have other subsidary functions relating to the operation of national price guarantees, marketing arrangements and consumer protection (eg. requirements for the hygienic production and handling of milk). Here too possibilities for deregulation and for stimulating competition are kept under continuing review. E(CP) is currently considering the future of the Milk and Potato Marketing Boards. The Government has already announced its intention to abolish the potato guarantee and the guarantee arrangements for wool when time can be found for the necessary legislation.

(ii) Fisheries

12. Within Fisheries Department (headed at Grade 3), 3 Grade 5 divisions deal specifically with the fishing industry, including fish farming and sport fishing. Over half of the work is regulatory in character, including negotiation and implementation of catch quotas and other conservation measures under the Common Fisheries Policy as established in 1983, the regulation of coastal and inland fishing through Sea Fisheries Committees, Water Authorities and in future, the National Rivers Authority, and preventing the introduction and spread of fish diseases. Direct support to the industry is confined mainly to the provision of grant aid for fishing vessels, harbours and onshore facilities and the operation of the EC fish market support regime.

13. In recent years a number of specific actions have been taken to increase competition and reduce protection. The EC fish marketing

regime has been made less protective; not only have support prices been held down in real terms but limits have been introduced to the quantities of fish for which support payments are available and fishermen themselves have to make a contribution to the cost of support buying. The Sea Fish Industry Authority, which is primarily responsible for promoting and improving the marketing of sea fish, is now wholly funded by the industry after 5 years of Government pump priming. Fishing vessel grant aid arrangements and fisheries licensing and quota management arrangements are currently under review; one of the aims is to identify the scope for market forces to play a larger part in shaping the structure of the UK fishing industry. The Common Fisheries Policy itself comes under initial review in 1992 but the need for regulatory measures to conserve fish stocks and ensure a fair distribution of fishing opportunities between the industries of the Member States remains as strong as ever.

(iii) Food, Drink and Marketing Policy

14. Most of the work of the Food, Drink and Marketing Policy Grade 3 group does not involve "sponsorship" in the traditional sense. For example, of the four Grade 5 divisions, the principal role of one is to assist UK exporters in the agro-food sector (work analogous to that of the Department of Trade and Industry's Overseas Trade Divisions), while another is concerned with trade policy, essentially from consumers' viewpoint, for non-indigenous commodities. Likewise, part of the work of the other two divisions is concerned with the budgetary and consumer implications of the Common Agricultural Policy regimes for wine and processed fruit and vegetables, which are of little benefit to UK producers.

15. Insofar as the group can be said to have a sponsorship role for the UK food and drink industries, including the distribution trade, this has since 1979 in general not been interventionist but rather one of providing contacts between Government and the industries concerned, so as to enable informed decisions to be taken. The activities of the group in this area have formed part of concerted Government policy, involving several Departments. For example, the

group takes part in discussion of competition issues within the Office of Fair Trading's Mergers Panel; and has participated in the complete dismantling since 1979 of food price controls and in the rationalisation of the DTI's various industry and regional grants. In the alcoholic drinks sector, efforts have been made within the CAP wine regime to secure greater flexibility for UK importers and more generally to avoid restrictions which would inhibit the marketing of wine in this country. Considerable effort has been devoted to enhancing the ability of the Scotch Whisky industry, as a major export earner, to compete on fair terms in world markets. The group has also been involved in follow up work on the Mergers and Monopolies Commission Report on the Supply of Beer, designed to increase competition within the brewing industry.

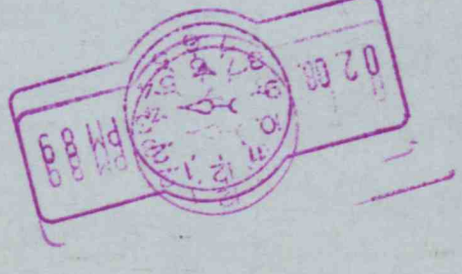
APPENDIX

INDUSTRY SECTORAL GROUPS WITHIN MAFF: STAFF IN POST

	June 1979	June 1989
Arable crops, pigs and poultry	72.5	53
Meat	29.5	33
Milk	59	42
Horticulture, Plant Variety Rights and Seeds	91	66
Fisheries	71	73
Food, Drink and Marketing Policy	78	80
TOTAL	401	347

Note: Figures exclude Fatstock, Horticultural Marketing and Sea Fisheries Inspectorates, Fisheries Laboratories, Setaside and Extensification Division and Marine Environmental Protection Division.





SLH Bim

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

31 July 1989

Dear Neil,

RELEASING ENTERPRISE: ROLLING PROGRAMME OF DEREGULATION REVIEWS

The Prime Minister was grateful for Lord Young's minute of 24 July, attaching details of the programme of deregulation reviews under way and planned. She welcomes the progress recorded. She assumes that Mr. Ridley will be considering how he thinks deregulation work should best be carried forward and looks forward to seeing his proposals in due course.

I am copying this letter to the Private Secretaries to Members of the Cabinet, to members of MISC 133, to Sir Angus Fraser and Sir Robin Butler.

Yours,
Paul

PAUL GRAY

Neil Thornton, Esq.,
Department of Trade and Industry

mem

Nok

Discussed with Robin Butler. Agreed I would take no action on this, and that Mr. Fairclough was likely to come forward with a more positive minute.

WO190

MR GRAY

cc Mr Kemp
Mr Woolley

31 July 1989

Rec 6
1/8

GOVERNMENT RESEARCH ESTABLISHMENTS:
COMPETITION AND NEXT STEPS

with PS?

Your minute to me of 24 July, recording the Prime Minister's reactions to my minute of 12 July, might be read by some Departments as letting them off the hook as far as developing proposals to convert their Research Establishments into Next Steps Agencies is concerned.

2. I took your minute however to mean that the Prime Minister was supportive of the general direction of my proposals but frustrated at the time being taken to achieve results. Indeed I spoke to her briefly about this at your party on the lawn yesterday evening and she said as much. I share her feeling of frustration but you will appreciate the difficulty we have had in trying to get Departments to sign up to a paper which they would all recommend their Ministers to support. Sir Robin Butler took the paper at a recent meeting of Permanent Secretaries and the final version reflects the agreements reached there.

3. I would very much like to get on record an authoritative interpretation of the minute in this positive sense, so as to speed up rather than slow down action. Would you see any objection to my sending you a minute on the lines of the attached draft and copying this to the Private Offices concerned?

John

JOHN W FAIRCLOUGH
Chief Scientific Adviser

PRINT ID: HVB1/DRAFT/ JWF.TO.GRAY.GRES.27JUL89

DRAFT MINUTE FROM MR FAIRCLOUGH TO PAUL GRAY

GOVERNMENT RESEARCH ESTABLISHMENTS: COMPETITION AND NEXT STEPS

Thank you for your minute of 24 July.

7. Your minute could be taken to imply that the Prime Minister was not in favour of action along the lines suggested in my minute to her of 12 July. You have told me however that her concern is not over the direction of the proposals, which she supports, but over the time it seems likely to take to achieve firm decisions and changes. On this understanding I will redouble my efforts to help Departments develop proposals in the form of specific action programmes. I hope Peter Kemp and I will be able to report on firm progress in the near future.

I am sending copies as before.

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS AND COMPETITION

I have seen John Fairclough's paper of 12 July and the Chief Secretary's note of 19 July. I welcome and support these proposals. They are very much in line with the Government's policy on Next Steps and the Next Steps Project Manager has worked closely with John Fairclough during their development. The Agency concept, with its emphasis on improved results, increased managerial accountability and sharper 'customer/ supplier' relationships, will play a significant part in bringing about the more competitive internal market and better value for money for research which is being sought.

I am copying this to those who had copies of John Fairclough's note, and to John Fairclough.

RICHARD LUCE

SCI + TECH : Budget PT 4

PRIME MINISTER

RELEASING ENTERPRISE: ROLLING PROGRAMME OF DEREGULATION REVIEWS

One of Lord Young's last acts as Secretary of State for Trade and Industry was to send you the attached minute enclosing a report on the rolling programme of deregulation reviews. This indicates progress on reviews currently under way and plans for the next round. There are no major proposals involved, but it records worthy progress and seeks your support for continuation of the programme.

The minute does not mention the question of future arrangements for the Ministerial oversight of deregulation work. You will remember that Lord Young put some proposals to you a month or so back for a new central adviser; you resisted that, but suggested instead the possibility of the work of MISC 133 (the deregulation committee Lord Young has been chairing) being subsumed in the work of E(CP), chaired by the Chancellor. This point is still being considered by DTI and Treasury Ministers, who will be coming back to you in due course on it.

Meantime, you will want to consider what, if any, reaction to give to Lord Young's attached report. One possibility would be to welcome the progress it records, assume that Mr. Ridley will want to consider his own views on how deregulation work should be carried forward, and look forward to seeing his proposals in due course.

Content? Yes - PG

PAUL GRAY
28 July 1989

MR GRAY P 03523

RELEASING ENTERPRISE; ROLLING PROGRAMME OF DEREGULATION REVIEWS

1. You invited comments on Lord Young's progress report of 24 July.

2. There are no major proposals for deregulation in the report. It is mainly concerned with the detailed streamlining of procedures and regulatory requirements. It should not be contentious with Departments.

3. I imagine that the Prime Minister will now want to give Mr Ridley a chance to decide his approach on deregulation.

4. Otherwise, no comment.

RJW.

R T J WILSON
Cabinet Office
27 July 1989

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dti

the department for Enterprise

cc/u
(Letter only)

PRIME MINISTER

RELEASING ENTERPRISE: ROLLING PROGRAMME OF DEREGULATION REVIEWS

You agreed last July with my proposal that Departments should carry out a rolling programme of deregulation reviews, with each nominating at least one area of its work for examination in each round. With your agreement details of the initial programme of reviews to be undertaken were reported to Parliament this January (Annex A). As promised I am now reporting on progress so far.

Of the reviews launched, 12 have been completed while 10 are still under way. Rather less than a year has been available to conduct these reviews so that some of the more wide-ranging and ambitious topics, such as the review of the administration of business licensing, are still in train. But all are now making good headway, as outlined in the progress report at Annex B prepared by officials in the EDU and the Departments involved.

These reviews have so far resulted in a wide range of benefits to business. In some cases it has proved possible to eliminate requirements altogether, in others to update and streamline controls. Government communications with business have also been improved through the consultation process involved, as has the service provided by Government to business.

By way of illustration the Department of Health's review of approved suppliers lists now means that instead of suppliers having to undergo separate vetting and appraisal by each health authority (or other public purchaser to whom they supply common items) each supplier will be vetted only once, saving business and Government about £1m a year. DTI's review of its procedures for smaller grants of Regional Selective Assistance has resulted in a recommended simplification of the paperwork involved, and

the Enterprise initiative

Recycled Paper

PR1BOO

recommended changes in the payment and monitoring procedures to reduce the amount of information and checking required; the savings to small businesses are estimated as about £1m a year, with considerable administrative savings for Government too.

Replacing the requirement that all sheep be dipped twice a year for sheep scab with a single national dip this autumn, and thereafter with dipping only where sheep are to be removed from an infested area, will save the industry at least £5-6m a year. The aim of DTp's proposals on passenger and goods vehicle operator licensing is to simplify procedures, reduce the scope of controls, and lead to financial savings for operators.

A number of other reviews should result in considerable improvements in Government communications with business. The Inland Revenue's review of PAYE communications with employers will result in their cutting out some procedures, reducing and improving the written material and generally providing better assistance for employers. The Department of Social Security's inquiries of business number over 20 million a year, at an estimated cost to business of over £100m; their review recommended a range of changes to produce a cumulative easing of the burden, resulting ultimately in savings to business of at least £3m a year, as well as great improvements in efficiency and goodwill.

As an example of adapting to changed circumstances the review by the Department of Employment and the Home Office of the work permit scheme should provide improvements in an important service to business, by relating the necessary restrictions more closely to changing labour market needs and the training of the resident labour force. This will enable those with high skills and qualifications to obtain work permits promptly and with the

minimum of formalities, allowing controls to be focussed on the less clear cases, applications to be processed more quickly and employers' costs reduced.

Quantifiable savings from those first round reviews so far completed will total well over £10m pa. But this is only part of the impact of our efforts. Removing the time loss, frustration and disincentive caused to business by out of date or cumbersome policies and procedures must remain our prime aim if enterprise is to be fully encouraged. Those involved in this painstaking work in Departments should also be gaining long-term benefit from the essential process of consultation built into each review. I cannot stress too highly the importance of the improvements in awareness and attitudes which this process is bringing about in parallel with the Bridge Programme. A major change in understanding will be achieved if we keep up the pressure.

I do not underestimate the scale of the task which still lies ahead. Fresh practices and ideas need time to take hold. Regulations have a way of standing still while the outside world changes. Reviewing controls on business which have not been recently modernised will require our commitment and energies for some time to come. Indeed we shall have to remain vigilant lest the apparently necessary regulation of today becomes in practice the inefficient and burdensome measure of a changed tomorrow.

Having launched the first round of reviews and made some modest headway to date we need to keep up the momentum. I have therefore asked colleagues to nominate topics for the second round and attach their proposals to date (Annex C). As before, we should aim to have the programme announced in Parliament in the autumn. At the same time we should honour our commitment to report the results of the first round when completed to Parliament.

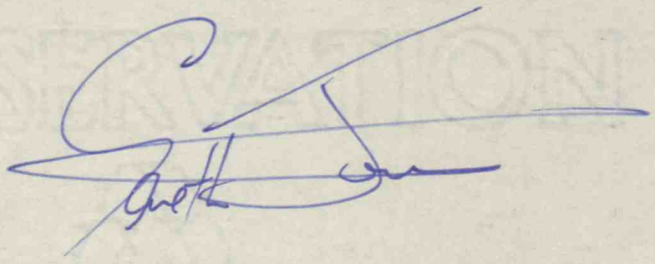
dti

the department for Enterprise

MISC 133 colleagues, who were not able to meet today, may wish to add their own comments on the value of the programme.

I believe that this rolling programme is a crucial element in our deregulation initiative, and as such an important part of our drive to release enterprise. I hope it will therefore continue to command your full support.

I am copying this minute to Cabinet colleagues, to members of MISC 133, to Sir Angus Fraser and to Sir Robin Butler



D Y

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

24 July 1989

DEPARTMENT OF TRADE AND INDUSTRY

the Enterprise initiative

Recycled Paper

PB1BOO

competition in that particular market is being restricted or distorted, he should bring it to the attention of the director general.

Special Steels (Spain)

Mr. Devlin: To ask the Chancellor of the Duchy of Lancaster whether the inter-industry agreement on special steels from Spain, referred to in his answer of 27 April 1988, *Official Report*, column 171, has now ended.

Mr. Alan Clark: I am informed that, following completion of the transitional arrangements for steel on Spain's accession to the European Community, the inter-industry agreement on special steels has ended.

"Releasing Enterprise"

Mr. David Shaw: To ask the Chancellor of the Duchy of Lancaster whether the rolling programme of deregulation reviews referred to in the White Paper, "Releasing Enterprise", has been determined.

Mr. Maude: I am announcing today details of the first rolling programme of deregulation reviews to be carried out by Government Departments. This carries forward commitments undertaken in the Government's recent White Paper "Releasing Enterprise" (Cm 512) which was published in November 1988.

We regard this programme of reviews as essential to keep a check on existing requirements or regulations which, although they may have seemed unreasonable at the time, have become outdated, over-burdensome or simply unnecessary.

Together with the existing mechanisms we have in place for new legislation, we hope to be able to free enterprise from unnecessary Government interference.

Each year, Departments will review at least one area of their work, with an emphasis on consultation, particularly with business, at all stages. Where possible, business expertise will be brought in to assist.

The results of this programme will be reported to Parliament once it has been completed.

The first programme of deregulation is as follows:

Enterprise and Deregulation Unit

(i) Business Licensing
Review of the administration of business licences.

(ii) Fire and building review
Review of overlap of building control and fire regulations, the way the legislation is implemented and the requirements for consistent enforcement.

Ministry of Agriculture, Fisheries and Food

(i) Compulsory dipping of sheep against sheep scab
This will consider the burden to farmers and possible alternatives to compulsory dipping while 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 United Kingdom traders.

Her Majesty's Customs and 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.

Department of Employment and the Home Office -

(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 regulation required to safeguard the employment of resident labour and for immigration control.

Health and Safety Executive

(i) Factories Act section 139
To review the need for employers to post copies of health and safety regulations or notices at workplaces, with a view to amendment or repeal of section 139 of the Factories Act 1961.

Department of the Environment

(i) Use Classes Order part II
To review the Special Industrial Use Classes which are five groups of industries, eg chemicals, smelting and other metal treatment and animal by-products. Because of the processes involved these create particular environmental problems and the review will be done with a view to rationalisation of the Use Classes Order.

Department of Health

(i) NHS standard conditions of contract
To overhaul Health Authority procedures for tendering and contracting, with particular reference to extending competition and 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.

Home Office

(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 Home Office is responsible.

Inland Revenue

(i) Pay as you earn communications with employers
Full scrutiny-style review of all communications between the Inland Revenue and business about PAYE.

Office of the Minister for the Civil Service

(i) Forms
To identify the means of reducing the burden of Government forms on business and make recommendations.

Department of Social Security

(i) Inquiries of business
To simplify the way in which social security information is obtained from employers, and drop outdated requirements.

Department of Transport

(i) HGV and PSV operator licensing
To consider the scope for reducing the burden imposed by operator licensing on goods and passenger vehicle operators.

Department of Trade and Industry

(i) Steel scrap export licensing

(a) Ferrous Scrap: to review the need for export licences for all grades of steel and non-alloy scrap.

(b) Control of Stainless Steel and High Alloy Scrap Exports: to review the continuing need for an early 1980s agreement between DTI and the steel industry giving BSC first refusal on all supplies.

(ii) 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 Customs and Excise and the Ministry of Agriculture, Fisheries and Food)
To implement the recommendations of the enterprise and deregulation unit's export procedures review.

EC Structural Funds

Mr. Ron Davies: To ask the Chancellor of the Duchy of Lancaster if he will list the areas of Yorkshire which he has submitted for consideration to the European Commission under its review of the European Economic Community's structural funds; and if he will make a statement.

Mr. Atkins *[holding answer 30 January 1989]:* I have recommended the Commission to select for the new objective 2 of the funds the whole of South Yorkshire; the parts of Middlesbrough and Darlington travel-to-work areas that are in north Yorkshire; and the Bradford city, Kirklees borough, Leeds city and Wakefield city metropolitan districts in West Yorkshire.

I should have liked to recommend the Whitby TTWA in North Yorkshire, but the terms of article 9 of the Council regulation (EEC) No. 2025/88 do not qualify for consideration.

NORTHERN IRELAND

Parole

Mr. McCusker: To ask the Secretary of State for Northern Ireland how many Loyalist and Republican prisoners in Northern Ireland received compassionate parole during the last three years; and what was the average length of parole for each category.

Mr. Ian Stewart: During the last three years compassionate home leave was granted on 340 occasions to both determinate and indeterminate sentence prisoners. Based on their believed paramilitary affiliation, 69 were Loyalist prisoners for an average period of 11·5 hours, 136 Republican prisoners for an averge period of 12·2 hours, and 135 prisoners with no believed paramilitary affiliation for an average period of 14·6 hours. The length of a period of compassionate home leave in any individual case depends upon a number of factors, including the distance a prisoner has to travel and the mode of travel.

DNA Testing

Mr. McNamara: To ask the Secretary of State for Northern Ireland, pursuant to his reply to the hon. Member for Kingston upon Hull, North on 10 January, *Official Report*, column *502*, whether mouth samples taken for the purposes of DNA testing by a swab between the lip and the gum yielded sufficient material to carry out valid DNA profiles in all cases.

Mr. Ian Stewart *[holding answer 18 January 1989]:* Research work undertaken at the Northern Ireland forensic science laboratory has proved that a mouth swab taken from the area between the lip and gum can yield sufficient DNA material for profiling purposes. However none of the mouth samples taken for DNA profiling has been analysed so far.

Anthony O'Doherty

Mr. Livingstone: To ask the Secretary of State for Northern Ireland what information he has as to allegations made at the trial of Sergeant Charles McCormick that Anthony O'Doherty had been supplied with weapons by the security forces; what inquiries have been carried out; and if he will make a statement.

Mr. Ian Stewart *[holding answer 19 December 1988]:* The allegations made at the trial of Sergeant Charles McCormick that Anthony O'Doherty had been supplied with weapons by the security forces were fully investigated by the police and their findings reported to the Director of Public Prosecutions who directed that there should be no prosecution.

I regret the delay in obtaining this information for the hon. Member.

Tourism

Mr. Fearn: To ask the Secretary of State for Northern Ireland how many tourists visited Northern Ireland in each of the years 1983 to 1988 *(a)* from European countries, and *(b)* from North America.

Mr. Viggers *[holding answer 25 January 1989]:* The information requested for each of the years 1983 to 1987 is given in the table. Tourist numbers for 1988 are not yet available.

Tourist numbers

Thousands

Year	*European Countries*		*North America*
	Including[1]	*Excluding*[1]	
1983	796	29	52
1984	847	30	43
1985	778	28	63
1986	750	35	47
1987	860	33	57

[1] Tourists from Great Britain and Republic of Ireland.

Meat Imports

Mr. Ron Davies: To ask the Secretary of State for Northern Ireland what is the annual total of meat imports into Northern Ireland via the overland route from the Republic.

Mr. Viggers *[holding answer 26 January 1989]:* Her Majesty's Customs and Excise statistics sources show that in 1987 imports of meat from the Republic of Ireland into Northern Ireland totalled 108,200 tonnes.

ANNEX B

ROLLING PROGRAMME OF DEREGULATION REVIEWS
REPORT ON FIRST ROUND

I COMPLETED REVIEWS

1. Regulation of non-life insurance (DTI)
2. Steel scrap export licensing (DTI)
3. EC copper scrap export quotas (DTI)
4. Export procedures review implementation (DTI, C & E, MAFF)
5. Control of sheep scab (MAFF)
6. Record-keeping requirements under the VAT second-hand schemes (C & E)
7. Export data capture (C & E)
8. Review of Section 139 of the Factories Act 1961 and related legislation (HSC)
9. Approved suppliers list (DH)
10. PAYE communications between employers and Inland Revenue (IR)
11. Forms (OMCS)
12. Enquiries of business (DSS)

II REVIEWS IN PROGRESS

13. Regional Selective Assistance (DTI)
14. EC fruit and vegetable marketing standards (MAFF)
15. Work permit scheme (DE and HO)
16. Special Industrial Use Classes Order (DOE)
17. NHS model standing orders (DH)
18. Administration of licensing (HO)
19. Data Protection Act (HO)
20. Passenger and goods vehicle operator licensing (DTp)
21. Business licensing (EDU)
22. Fire and building regulations (EDU)

ROLLING REVIEW PROGRAMME: TABULAR SUMMARY BY DEPARTMENT

Review	Main Purpose	Progress/Outcome	Consultations with business	Savings/Benefits to business
MAFF				
5) Control of Sheep Scab	To minimise burdens on farmers while safe-guarding disease control.	Completed and agreed by Ministers; Dipping requirements reduced.	42 private & public organisations.	£5m per year for sheep industry.
14) EC fruit & veg marketing standards	To review EC fruit & veg marketing regulations and their impact in UK.	Ongoing.	95 individuals & organisations in the trade.	Not yet quantifiable
Customs & Excise				
6) VAT on second hand goods	To reduce record keeping requirements for VAT second hand schemes.	Review completed and being considered by Ministers; recommends elimination of some records & reduction of others.	Questionnaire to 400 businesses plus consultation with trade & other bodies, Press & trade advertising.	Benefits will apply to about 100,000 traders.
7) Export Data Capture	To examine scope for increasing direct trader imput of export data into Customs computers.	Review completed and being considered by Ministers; confirms desire of trade to make more use of computer input; recommends tailoring of existing procedures to particular business circumstances.	1000 question-naires to businesses plus consultation with trade bodies, Press & trade advertising.	Appreciable compliance cost savings antici-pated.

Review	Main Purpose	Progress/Outcome	Consultations with business	Savings/Benefits to business
DE				
15) Work Permits	To enable UK firms to hire (non EC) overseas staff with minimum of regulations while safeguarding immigration control & UK resident employment.	Ongoing; Stage I has identified ways of making procedures more related to labour market needs, of minimising formalities & of focussing control more effectively.	Stage II - consultation with employer organisations, individual firms, immigration organisations, trade unions & Govt. Depts. to test & refine recommendations.	Will be after consultations with business; recommendations will affect 30,000+ applications per year & should reduce delays & compliance cost for firms.
Health & Safety Commission				
8) Section 139 of Factories Act	Reviews requirement for employers to post detailed notices of health & safety regulations in workplaces.	Completed & agreed by Ministers; requirement to issue formal notices detailing the law to be abolished.	Considered by Health & Safety Commission (CBI, TUC & LA reps).	All businesses will save time in obtaining & posting Notices plus £20,000 per year on purchase.
Home Office				
19) Data Protection	To review implementation of Data Protection Act 1984 with special ref. to impact of registration requirements on users.	Ongoing; consultations complete. Committee now considering substantive issues.	Data Protection Registrar has consulted extensively.	Not yet quantifiable.

Review	Main Purpose	Progress/Outcome	Consultations with business	Savings/Benefits to business
18) Administration of Licensing	To review administration of business licences for which H.O. responsible.	Ongoing; consultations well advanced.	Representative associations, administering bodies, departmental sources.	Simplification of forms and systems expected to result. Too early for quantification.
DOE				
16) Use Classes Order (Part II)	To review special industrial use classes with view to rationalisation.	Ongoing; consultations underway.	Consultation paper issued. LPAs, business & planning profession responding.	Greater certainty as to whether planning permission needed in any given instance.
DH				
17) NHS Model Standing Orders	To overhaul Health Authority procedures for tendering and contracting in order to extend competition and best procurement practice.	Ongoing	NHS Suppliers, and companies with large procurement programmes.	Reductions in costs of tendering & supply anticipated plus improvements in business opportunities.
9) NHS Approved Supplier Lists	To streamline NHS system for approving suppliers.	Complete & approved by Ministers; requirement for separate approvals in each RHA to be replaced by new mutual recognition systems.	NHS Suppliers, other large firms, relevant trade associations.	Elimination of duplicated effort by firms & RHAs, £½m saving to NHS & £½m saving to business.

Review	Main Purpose	Progress/Outcome	Consultations with business	Savings/Benefits to business
Inland Revenue				
10) PAYE Communications with Employers	To streamline & improve communications between Revenue & firms about PAYE.	Review complete. Action plan to be produced by September 1989. Recommendations include elimination of some requirements & procedures, simplification of others, better guidance & more personal contact.	Consultation with 22 rep. bodies, 141 telephone interviews with employers, meetings with 3 large companies & Advisory Panel on Deregulation.	Better service to employers & reduction in their compliance costs anticipated; £½m saving per year to Inland Revenue.
OMCS				
11) Government Forms	To reduce burden of Government Forms on business.	Review complete and being considered by Ministers; recommendations include small business exemptions, more pre-printed information, uniform form sizes, more flexibility on degrees of accuracy & detail required, more consultations with business.	Individual businesses & accountants, Association of British Chambers of Commerce, Advisory Panel on Deregulation.	16,000 forms covered in review; reduced compliance costs for firms.

Review	Main Purpose	Progress/Outcome	Consultations with business	Savings/Benefits to business
DSS				
12) Enquiries of Business	To simplify social security information requirements from employers.	Complete. 46 changes to be made to lessen cumulative burden on employers.	15 employer organisations.	Estimated savings of approx £3m per year in compliance costs
DTp				
20) Passenger & Goods Vehicle Operator Licensing	To consider scope for reducing licensing requirements on goods and passenger vehicle operators.	Initial review completed and consultations about to commence.	Relevant Trade Associations, individual operators, LAs, NFU, Civil Trust Transport 2000.	Reduced scope of controls and simplified procedures being considered, which would reduce financial burden on operators.
DTI				
2 + 3) Steel Scrap Export Licensing & Copper Scrap Quotas	To review need for Steel Scrap Export Licences & Copper Scrap Quotas.	Reviews complete and being considered by Ministers.	Liaison with industry ongoing.	
13) Regional Selective Assistance	To simplify payment & monitoring procedures.	Ongoing; subject to consultation, recommends simplification of accounting & reporting requirements on firms for smaller RSA applications.	Consultation will take place in the next two months.	Savings to business of about £1m per year.

Review	Main Purpose	Progress/Outcome	Consultations with business	Savings/Benefits to business
1) Regulation of Non-Life Insurance	To simplify data collection requirements.	Review complete and being considered by Ministers.	Widespread consultation with industry, professional bodies and consumer associations.	Long-term changes to procedures may result.
4) Export Procedures Review Implementation	To implement recommendations of EDU Export Procedures Review.	Ongoing	Widespread consultation with business, trade associations and export agencies incorporated in review.	Considerable cumulative savings, through simpler minimised export control procedures.
EDU				
21) Business Licensing	To review the administration of business licences required by Central Government Departments.	Ongoing; first stage includes comparison & assessment of different licensing systems run by Depts; possible recommendations will include elimination of unnecessary renewal procedures, simpler forms, co-ordination of requirements for multiple-licensed businesses.	Widespread consultation to be undertaken.	Reduced compliance costs for business; speedier procedures.

22) Fire & Building Regulations	To review overlap and implementation of fire & building control regulations.	Ongoing; consultancy study looking at enforcement, communications & management by regulatory authorities; recommendations may include unified certification procedures, clearer guidance for both business & enforcement purposes.	Widespread consultations completed.	Clearer simpler and more effective procedures may result.

1. DTI DEREGULATION REVIEW : REGULATION OF NON LIFE INSURANCE

Issue Addressed

To review the regulation of non-life insurance business, excluding Lloyd's, with a view to improving the cost effectiveness of regulation and improving the presentation of the related returns required by Insurance Companies Legislation.

Findings and Recommendations

While some such as the brokers thought that more information could be provided through the returns, the industry itself would prefer no change to any minor tinkering. This is because any change to the computer facilities for producing the present returns would be costly.

The review concludes that a significant reduction in the returns made to the DTI by non-life companies might be considered in the medium term if certain developments occur.

(i) The industry accepts that there should be a report by actuaries or other similarly qualified professionals on the adequacy of loss reserves, and the capital adequacy of the company in meeting future claims.

(ii) Shareholder Accounts are sufficiently improved to enable regulators to place significantly greater reliance on them.

(iii) The injection of additional professional skills into DTI's Insurance Division enables a more selective approach to be taken to regulation.

Timetable for Implementation

Subject to progress on the actuarial proposal and the EC Insurance Accounts Directive a consultation (Green) Paper on the way forward will be issued about the end of the year.

Benefits, Savings and Costs

While the review does not produce any significant immediate savings it does point the way to a possible radical restructuring of the returns by placing more responsibility on the private sector.

Consultation

Widespread consultation with the industry, the actuaries' professional bodies, the auditors, brokers and consumer associations.

July 1989

2. DTI DEREGULATION REVIEW : STEEL SCRAP EXPORT LICENSING

Issue Addressed

The need for licensing of ferrous scrap exports.

Findings and Recommendations

That the UK should abandon immediately its surveillance licensing regime for exports of steel scrap. Having reviewed the position we do not foresee any apparent problems for the market in the case of non-alloy scrap, for which no licence has been refused in the last 8 years of controls. In 1988 the UK consumed 7m tonnes of non-alloy ferrous scrap, imported 48,000 tonnes and exported over 3m tonnes, of which the bulk went to the EC.

In the case of stainless steel and high alloy scrap there would be some removal of advantage for British Steel (BS) who have enjoyed first refusal for non-EC exports of these products. However, the effects in practice seem likely to be minimal, certainly in supply terms. In 1988, the UK consumed 0.5 million tonnes, imported 43,000 tonnes and exported 36,000 tonnes - of which 33,000 tonnes went to the Community. Most of this (28,000 tonnes) was destined for the Netherlands and it is likely that most of this was re-exported. There is therefore no effective control against exports to third countries, and the system (concerned at best with small amounts) is clearly not effective.

Timetable for Implementation

Legal difficulties over the international agreement governing Community exports of steel scrap emerged during the course of investigations as to how the UK might best remove the licensing provisions. Having considered the position we judge the risk of legal challenge to be small and are reasonably confident that it would have no practical effect. We therefore propose to make the necessary arrangements to end the measures as they affect the UK as soon as possible.

Benefits, Savings and Costs

The removal of licensing would eliminate an unnecessary bureaucratic procedure and free the industry from a burdensome requirement. The proposal for stainless steel and high alloy scrap could lead to price effects for BS, but it would be speculative to try estimating these. Although prices for stainless steel in Europe rose very rapidly during the last year leading to complaints from consumers, this was largely due to a rise in nickel prices.

Consultations

Discussions were held with the Scrap Merchants' Trade Association and British Steel.

July 1989

3. DTI DEREGULATION REVIEW : EC COPPER SCRAP EXPORT QUOTAS

(and parallel surveillance export licensing (quantity free) for aluminium, lead and zinc scrap).

Issue Addressed

The economic benefits or otherwise for the UK in continuing the quotas for copper scrap.

Findings and Recommendations

That the UK seeks the elimination of quotas on copper scrap and supports the lifting of surveillance licences on other products during the next EC annual review later this year.

Timetable for Implementation

If successful, the systems would cease to exist after 31 December 1989. It will be necessary to secure a blocking minority within the EC if the Commission propose continuation of the regime for 1990. We are reasonably confident, on past experience, that the quota requirement can be removed. But it cannot be excluded that a majority of Member States would be prepared to vote for the retention of the existing surveillance licensing regime for aluminium, lead and zinc scrap and maybe even for the introduction of a new licensing system for copper scrap if the quota regime falls.

Benefits, Savings and Costs

Market forces would operate in relation to the trading of copper scrap. This is likely to benefit UK scrap exporters and producers of semi manufactures; bureaucratic procedures which have no real bite would disappear in the case of the licensing requirements. (In 1987, UK consumption of copper scrap was around 138,000 tonnes, with imports at 14,000 t and exports at 123,000 t). Such a move could involve increased prices of copper scrap for UK customers, with reduced margins for the copper refiners.

Consultations

Widespread consultation with representatives of the trade associations and the main companies from both sides of the industry.

July 1989

4. DTI DEREGULATION REVIEW : EXPORT PROCEDURES REVIEW IMPLEMENTATION (WITH HM CUSTOMS AND MAFF)

Issue Addressed

To implement the recommendations of the EDU's export procedures review.

Progress

Review completed in September 1988. First implementation report presented to MISC 133 in March 1989.

Findings and Recommendations

The study recommended a wide range of changes to the export procedures administered by DTI, HM Customs, and MAFF/IBAP. Implementation of the report's recommendations has involved both changes in UK procedures (such as those governing the availability of export licences) and negotiation for changes which can only be achieved by agreement with other countries. One instance of this is the agreement to extend the EC carnet (a document facilitating temporary export of goods) to cover all goods (bar a small list of exceptions), rather than being restricted to a small list of goods.

Timetable for Implementation

A further implementation report will be presented to MISC 133 by the end of 1989.

Benefits and Savings

The change to the EC carnet is a major achievement, as is the new open general export licence. Much more is still being worked for, including further improvements to the carnet system and simplification of the procedures for administration of the CAP. This will enable the UK to take a very positive lead within the European Community and elsewhere on these fronts.

Although difficult to quantify, the savings to business from implementation of the study are already very considerable. These arise from wider availability of simpler and cheaper procedures to facilitate exports and the removal of unnecessary procedural barriers to trade. Because implementation involves negotiation in both the EC and GATT, follow-up to the study will need to continue for some time.

Consultation

Widespread consultations with business, trade associations and export agencies were incorporated in the original review. Liaison with interested parties is continuing.

July 1989

5. MAFF DEREGULATION REVIEW : CONTROL OF SHEEP SCAB

Issue Addressed

The control of sheep scab by compulsory dipping.

Findings and Recommendations

Following completion of the review in April 1989, the present policy of twice yearly national dipping will be replaced for 1989 and 1990. A single national dip will be required in the autumn. Subsequent movements of sheep from infested to clean areas will be permitted, only if the animals have been dipped within the previous 21 days after prior notification to the local authority. Arrangements for 1991 onwards will depend on the effectiveness of the new measures.

Timetable for Implementation

1989 onwards.

Benefits, Savings and Costs

The new measures for the control of sheep scab will result in estimated savings of at least £5-6 million per year to the sheep industry.

Consultations

Forty-two organisations consulted in the course of this review included local authorities, the pharmaceutical industry, farming unions, veterinarians, auctioneers, livestock breeders and other sheep producers. In addition separate meetings were held with the respective Farming Unions for England, Scotland and Wales, the National Sheep Association, the National Office of Animal Health (representing the pharmaceutical industry) and the Secretary of the National Animal Health Panel (representing local authorities).

July 1989

6. CUSTOMS AND EXCISE DEREGULATION REVIEW : RECORD-KEEPING REQUIREMENTS UNDER THE VAT SECOND-HAND SCHEMES

Issue Addressed

To identify the burden placed on businesses by the record-keeping requirements under the VAT second-hand schemes, and to see whether they can be reduced or simplified without detracting from Customs 'effective' control. The implications for traders who fail to comply with the record-keeping requirements were also considered.

Progress

Recommendations being considered by Ministers.

Findings and Recommendations

The review found that there is no groundswell of opinion from trade bodies for a change in the present record-keeping requirements. The majority of traders (68%) who responded would keep all or most of the records they now keep for second-hand schemes even if VAT did not exist; only 1% said records were kept solely for VAT purposes. However, examination by VAT control staff of each item of information presently required has shown that the scale of record-keeping can be reduced without significantly affecting control.

Recommendations have been made to remove a number of items from the records a dealer in second-hand goods is required to keep.

Timetable for Implementation

It is intended that the recommended changes should be in place by 1 January 1990.

Benefits, Savings and Costs

Nearly all businesses dealing in second-hand goods will benefit to some extent, and dealers in cars, motor caravans and motorcycles more than most. Car dealers will also benefit from a recommendation aimed at mitigating the effect of having to account for VAT on the full selling price of vehicles where proper records have not been maintained.

Consultations

A questionnaire was sent to 400 businesses selected at random who appeared to be eligible to use a second-hand scheme and to 50 more on request; 105 completed questionnaires were returned. Trade bodies and other interested parties were sent a consultation document describing the scope of the review and inviting comment. A press release was also issued and appeared in a number of trade and accountancy papers.

July 1989

7. CUSTOMS AND EXCISE DEREGULATION REVIEW : EXPORT DATA CAPTURE

Issue Addressed

To examine the effect of the current Customs export manual procedures on exporters and freight forwarders and to consider how greater use of electronic data interchange might reduce compliance costs.

Progress

Recommendations being considered by Ministers.

Findings and Recommendations

(a) There is limited scope for reducing trade costs by greater use of electronic data interchange - Customs export declarations are only one of the many requirements that a trader must satisfy in order to complete an export movement. There is nevertheless a widespread desire by the trade to use computers more extensively in meeting export obligations.

(b) Exporting would be facilitated and costs reduced by ensuring that traders use the procedures most suited to their particular circumstances, and by easing the qualification for acceptance by Customs of the use of that procedure.

Various recommendations have been made, aimed primarily at getting the best out of existing procedures but also introducing certain improvements.

Timetable for Implementation

It is intended that the recommended changes should be in place by May 1990.

Benefits, Savings and Costs

All exporters should benefit from the recommended changes, and there should be appreciable cost savings for some.

Consultations

The trade in general was consulted by the direct mailing of 1,000 questionnaires. Trade bodies and suppliers were sent a consultation document describing the scope of the review and inviting comment. A press release was also issued and appeared in a number of trade papers and the national press. Responses were received from 750 individual traders.

July 1989

8. **HSE DEREGULATION REVIEW : REVIEW OF SECTION 139 OF THE FACTORIES ACT 1961 AND RELATED LEGISLATION**

Issue Addressed

The Health and Safety Executive (HSE) reviewed legislation which requires employers to post or hand to their employees copies of documents relating to health and safety. The object was to assess the continuing usefulness of these documents.

Findings and Recommendations

HSE concluded that information on specific safety procedures remains essential and should be kept, though simplified in a few cases. However, detailed information on the law is of very limited value and the requirements (principally Section 139 of the Factories Act) should be repealed. The Health and Safety Commission (HSC), which contains representatives of the CBI, TUC and local authority associations, endorsed the conclusions.

Timetable for Implementation

Following acceptance of the review by the Ministerial Group on Deregulation, the HSC will take forward the proposed repeals in the course of implementing the EC framework directive on health and safety by the end of 1992.

Benefits, Savings and Costs

The proposed changes would lead to savings to industry in the time and trouble of obtaining and posting documents, plus savings of at least £20,000 pa in their purchase.

July 1989

9. DH DEREGULATION REVIEW : APPROVED SUPPLIERS LIST

Issue Addressed

The review examined the need for Suppliers/Contractors to undergo separate vetting and appraisals by different Health Authorities and by other public purchasers to whom they supply common items.

Findings and Recommendations

The report recommended that:

(i) the vetting system for new suppliers competing for business should be streamlined so that each supplier is vetted once by a standard format system;

(ii) a broader framework should be set out in respect of supplier appraisal and vendor rating which might be adopted generally by public sector purchasers;

(iii) the NHS Centre of Responsibility (CoR) concept should be extended so that Government Departments might be seen as having the lead in Government purchasing needs for defined products or service areas.

There are no major drawbacks to the proposed changes.

Timetable for Implementation

MISC 133 welcomed the review. The Group agreed that the application of the recommendations to other parts of Government should be considered in the first instance by the inter-Departmental Procurement Policy Committee. The Group also suggested that consideration should be given to the application of the Review's findings on hospitals which opt out of the control of Regional Health Authorities.

Liaison continues with interested parties, including the Treasury, and the outcome is intended to be reported in a paper to MISC 133 by December 1989.

Benefits, Savings and Costs

The Chief Benefits of proposed changes are:

(i) a reduction in the present duplication of effort and associated costs in undertaking vetting of suppliers;

(ii) significant easing of the burden to potential suppliers to public sector markets;

(iii) prospects for better purchasing and value for money through the improved linkages between Government Department/NHS CoRs.

Whilst there will be some costs in staff time and communications setting up/operating the proposed arrangements, these are expected to be more than offset by the savings achieved overall. Savings to the public purchasing function arising from the introduction of the Review's proposals for streamlining the NHS vetting and appraisal systems and other public sector buyers are estimated as at least £500,000. Savings to business are almost impossible to estimate given the extreme variation in the number of separate public sector buying agencies that a contractor will approach for the first time in any one year. However, we have calculated that the current costs of being vetted are approximately £0.5m. With our proposals, the costs would reduce tenfold to £50,000 leading to a saving to business of £450,000.

Consultation

Information was sought from all NHS Regional Supplies Departments; the Welsh, Scottish and Northern Ireland Health Common Service Authorities; a selection of Government Departments and Agencies; a number of private sector organisations (eg Sainsbury's, Marks & Spencer) including some suppliers to the NHS (eg Johnson & Johnson, Baxter Healthcare, Hewlett-Packard). The Association of British Healthcare Industries and Contract Cleaning and Maintenance Associations were similarly consulted.

July 1989

10. **IR DEREGULATION REVIEW : PAYE COMMUNICATIONS BETWEEN EMPLOYERS AND INLAND REVENUE**

Issue Addressed

Whether communications between the Inland Revenue and employers about PAYE can be streamlined.

Findings and Recommendations

The majority of employers satisfied with Inland Revenue service.

Nevertheless, the review officer identified five main areas for improvement and made 58 recommendations broadly as follows:-

(i) cutting out requirements and procedures;

(ii) reducing the amount of paper going to employers;

(iii) simplifying and improving written material going to employers;

(iv) better guidance to employers on how they can use computers;

(v) more personal support/contact with employers, particularly new employers.

Timetable for Implementation

Action plan to be produced by September 1989. Majority of recommendations capable of implementation within two years.

Benefits, Savings and Costs

A better service to employers and a reduction in their direct costs. The benefits and savings could not be quantified without a further round of consultation but will, where possible, be assessed during the report's implementation.

For the Inland Revenue, potential savings of over a hundred staff and nearly £½ million annually. Short-term implementation costs of £0.9m in 1989/90 and £0.3m in 1990/91 and six staffing units in both years.

Consultations

Business consultation:

(i) consultations with 141 employers (telephone interviews);

(ii) meetings with three major employers;

(iii) consultation with 22 representative bodies (50% response rate).

Other consultation:

(i) Inland Revenue network offices;

(ii) DTI: Enterprise and Deregulation Unit; Government Business Shops in Glasgow and Newcastle.

(iii) Customs & Excise Deregulation Unit;

(iv) Department of Social Security Deregulation Unit; Advice Line in Glasgow;

(v) Department of Employment Small Firms Tourist Division and Training Agency; Small Firms counsellors.

(vi) Advisory Panel on Deregulation;

(vii) Inland Revenue Trade Union side.

July 1989

11. **OMCS DEREGULATION REVIEW : FORMS**

Issue Addressed:

Since 1982, all the forms Government sends to business have been reviewed, and over half have been redesigned or abolished. However, after a drop in the number of different forms sent to business in the period to 1985, there was an increase between 1985 and 1987. The purpose of the review was to look at the reasons for this increase, assess the impact of existing forms review work and make proposals to carry forms review work forward with the aim of reducing the burden Government forms impose on business.

Progress

Recommendations being considered by Ministers.

Findings and Recommendations

The report makes a range of recommendations to improve procedures and the design of forms, to simplify them and make them more effective. This also involves measures relating to administration and training, with special regard to the needs of small businesses.

Timetable for Implementation

Most of the recommendations should start to be implemented by 31.3.90 or earlier. A report on progress and achievements will be included in the sixth Report on Forms to the Prime Minister in 1991.

Benefits, Savings and Costs

The benefits to business will be less time and less difficulty in completing Government forms. Benefits to departments will be better targeting of forms review activity, more accurate information, and shorter processing time for completed forms. Potential savings are substantial: if the total time each business spends on form-filling can be cut by just one hour per year, savings

to business as a whole will be in the region of £70 million. Costs of implementation should be low as the main thrust of the report is to change the way departments design and manage forms, rather than to increase the total level of activity. Initially, there will be some additional costs (such as training), but these should be more than offset by savings later on.

Consultations

Individual businesses and accountants, Trade and Professional Associations, Association of British Chambers of Commerce, Advisory Panel on deregulation.

July 1989

12. DSS DEREGULATION REVIEW : ENQUIRIES OF BUSINESS

Issues Addressed

The review examined the enquiries made of business by the Department's local and central offices in order to determine the need for the information and the extent to which it could be obtained from other sources.

Progress

The review has been completed and the action plan for implementing recommendations has been agreed within the Department.

Findings, Recommendations and Timetable for Implementation

Business considers the variety and cumulative nature of enquiries to be burdensome. The recommendations suggest a number of often quite modest changes to produce a similarly cumulative easing of the burden.

The report made 59 recommendations:

- 14 have been accepted for immediate implementation;
- 14 for implementation by the end of 1989;
- 15 for implementation by the end of 1990;
- 3 are awaiting decisions pending developments in related areas;
- 1 became redundant because of changes to the earnings rule for Retirement Pensioners in the last budget;
- 12 were rejected.

Benefits, Savings and Costs

DSS local and central offices make over 20 million enquiries a year at an estimated cost to business of over £100 million. It has not proved possible because of the nature of the recommendations to predict in every case or with

great accuracy what the savings to business will be. Details of costed recommendations are in Annex B attached and we are estimating a total saving to business of nearly £3 million per year. In many areas we have had to estimate a very small improvement only to provide us with a safe figure. We have in cases of uncertainty assumed a decrease in enquiry numbers of only 1%, so whilst we are reasonably confident of making the savngs to business that we have quoted, we expect the actual savings to be much higher.

The difficulties experienced in costing savings are magnified when attempting to calculate Departmental costs. We are not therefore able to make the attempt at this stage other than to identify which recommendations will result in a cost, a saving or have a neutral effect. Of the 43 accepted savings it is anticipated that Departmental savings will result from 9, and a neutral effect from 28. It should be borne in mind that enquiries also carry Departmental costs and that in this case it is broadly true to say that lifting the burden from business and Departmental cost-effectiveness go hand in hand.

Consultations

This review followed on from an earlier consultation exercise with business whereby views of 15 of the main employers' organisations were sought. It was primarily an internal review of the Department's information needs and procedures and business was consequently consulted on a limited scale.

ENQUIRIES OF BUSINESS : RECOMMENDATIONS AND SAVINGS

Recommendations for immediate implementation:

Total savings = £1,335,000. (See note 1 below)

Recommendations for implementation by end of 1989:

Total savings = £747,000.

Recommendations for implementation by end of 1990:

Total savings = £698,000. (see note 2 below)
Grand Total = £2,780,000

[redacted]ES

1. Considerable savings could have been realised if recommendations had been accepted prior to 1986. The circumstances are now changed and numbers of enquiries will be greatly reduced because of other measures.

2. The bulk of the savings for recommendation 18 will not be realised until most of the present Personal Pensions optants retire in 20 years or so.

July 1989

13. DTI DEREGULATION REVIEW : REGIONAL SELECTIVE ASSISTANCE (RSA)

Issue Addressed

The possibility of a shortened and simplified offer letter for smaller cases; and the extent to which RSA payment and monitoring procedures can be eased to reduce the amount of information and checking required.

Progress

A report by the appointed inter-departmental working group has been completed but certain aspects of the recommendations are still under consideration among the Departments concerned.

Expected Completion Date

We expect to resolve these differences by the end of July allowing implementation - following consultation with business organisations - by Autumn 1989.

Proposals

(i) Introduce shortened and simplified offer letter for all cases. Introduce a claim form to clarify what is required of applicants:

(ii) For cases up to £75,000 in post completion monitoring:-

(a) dispense with routine requirement for three annual accountants' reports and;

(b) reduce the number of company reports routinely required from three to two.

(iii) Maximum single tranche payment to be raised from £5,000 to £12,500 which also reduces need for accountants' reports at this level.

(iv) Replace visiting of each project with a sampling of at least 30% of cases up to £25,000.

Anticipated Benefits, Savings and Costs

The proposals would lead to savings for the 1,000 or so firms per year receiving offers of RSA up to £75,000 as well as for the operating Departments. The savings cannot be quantified precisely. The main direct financial benefit for RSA recipients will arise from the reduction in the number of accountants' reports required. The cost of these reports is usually in the range of £200 to £500 and the total saving to firms in England is therefore estimated to be £0.6m to £1.5m per annum.

The other recommendations would mainly lead to a reduced administrative burden for the RSA recipients concerned. In England the overall saving would be likely to amount to some 275 weeks of management and support staff time per year in addition to direct cost savings of £50,000-£125,000.

Savings for DTI resulting from the reduced requirement for monitoring and claims work could be of the order of 1,300 man days per year, mainly at EO/HEO level. Expressed in salary and ERNIC terms this would be a saving of the order of £60,000-£85,000 per year.

If the proposed changes are accepted there will be a small increase in the risk to the public purse. Each of the three operating departments has sought the views of its Accounting Officer on the proposals. DTI believe the increased risk is outweighed by the savings and that the proposed changes strike the right balance between these considerations. The Scottish Office are content with most of the proposals but intend to continue visiting each project at least once. The Welsh Office also intend to continue doing the same and in addition take the view that the proposed relaxation of the requirements for accountants' reports should be more restricted.

Consultations

Organisations representing small businesses will be given an opportunity to comment on the proposals in the next two months.

July 1989

14. MAFF DEREGULATION REVIEW : EC FRUIT AND VEGETABLE MARKETING STANDARDS

Issue Addressed

The impact of EC fruit and vegetable marketing standards and the related executive functions of the Agriculture Departments on UK business.

Progress

Consultation has only just been completed and the results are being assessed.

Expected Completion Date

October 1989.

Consultations

A consultation document was issued to some 95 individuals and organisations in the industry including commercial fruit and vegetable producers, importers, exporters, wholesalers, retailers and packers, farming unions, consumer organisations and trade associations. The document invited the industry to submit its views and to make representations for changes in the EC fruit and vegetable marketing standards to reduce their compliance costs. Visits to meet trade interests have also taken place.

July 1989

15. **DE AND HO DEREGULATION REVIEW : REVIEW OF THE WORK PERMIT SCHEME**

Issue Addressed

The current objective of the Work Permit Scheme is to protect resident labour while allowing the recruitment of overseas labour to assist the UK economy and employment. The Employment Department (ED) has undertaken the review for two major reasons:-

- Economic and policy changes since 1980 mean that the objectives and effectiveness of the Scheme need to be reassessed.

- There has been a 70% increase in the number of applications for permits from 20,000 in 1984 to 34,000 in 1988. The increase in workload has led to delays in processing applications. The quality of the service to employers might be improved by simplification of the Scheme.

The review is being carried out within existing immigration policy and will have no significant implications for the number of people who will be allowed to settle in the UK.

Progress

The review is being conducted in two stages. The first stage was concerned with identifying the issues and making recommendations. This work has been completed and the second stage, a consultation exercise, is now under way.

Expected Completion Date

ED expect to present a final report to MISC 133 in the autumn. This will list agreed recommendations with an action plan for their implementation. Apart from the possible changes to the Immigration Rules, any new agreements will not require amendments to primary or secondary legislation. It has, however, been the custom to announce changes in the operation of the Work Permit Scheme in a Parliamentary Question.

Initial Findings

The first stage of the review concluded that entry should continue to be restricted to those workers who meet a positive immediate need which cannot be satisfied from the resident or EC labour force. The restrictions, however, should be more closely related to changing labour market needs and the training of the resident labour force, and give a scheme which is as responsive as possible to employers' needs.

Anticipated Benefits, Saving and Costs

The aim is to enable those with high skills and qualifications who bring benefits to the UK to obtain work permits promptly with the minimum of formalities, focussing the controls on the less clear cases. Applications will be processed more quickly and so reduce employers' compliance costs. The consultation exercise is likely to supply information about the savings to business of the recommendations. It has not been possible to quantify the savings in advance of the consultation exercise.

Consultations

The second stage of the review involves a consultation exercise with other Government Departments, individual businesses, employer organisations, trade unions and immigration organisations. Taking account of the consultation exercise, detailed work will begin on the implementation of agreed proposals and further consideration of other issues which may be raised. The majority which are purely administrative can be carried out internally within Overseas Labour Section or by agreement between ED and HO officials. These administrative arrangements should quickly speed up the processing of applications and bring an improvement in the service to business.

July 1989

16. **DOE DEREGULATION REVIEW : REVIEW OF THE SPECIAL INDUSTRIAL USE CLASSES ORDER**

Issue Addressed

The 1986/7 review leading to the new Town and Country Planning (Use Classes) Order (UCO) 1987 did not encompass the Special Industrial Use Classes. The present review therefore addresses these Classes (a disparate industry group including chemicals, petrochemicals and animal by products) with a view to rationalising the classifications, and in order to bring up to date and streamline this part of the Use Classes Order.

Progress

A consultation paper was issued on 21 April 1989 with a deadline for comments of 14 July. Interest has been shown from a broad spectrum including LPAs businesses and the planning profession.

Expected Completion Date

Decisions are expected to be taken in the autumn following the response to the consultation document.

Anticipated Benefits, Savings and Costs

The aim is to provide industrialists with more certainty as to whether changes of use will or will not require planning permission.

Consultations

The consultation paper was issued on 21 April. It is not expected that further consultation will be necessary.

July 1989

17. DH DEREGULATION REVIEW : NHS MODEL STANDING ORDERS

Issue Addressed

The review will look at NHS model standing orders and common variants in use by Health Authorities as they affect procurement tendering and contracting procedures. It will determine, within the requirements of public accountability, how they can be simplified and adapted to reflect modern procurement practice; the recommendations of the 1984 report on "Government Purchasing"; improved value for money in the NHS, and simplified and more flexible delegated arrangements for dealing with actual and potential suppliers within the limit of free and open competition.

Progress

This review has been delayed because of difficulties in finding a suitable Review Officer. This has now been resolved by the appointment of a Review Officer who began the Review at the end of April. The Review is expected to be completed by the end of July and a paper presented to MISC 133 in September.

Anticipated Benefits, Savings and Costs

The study is not one in which quantifiable savings are likely to arise though the rationalisation of purchasing arrangements should help reduce both the overheads of buying and the overheads of tendering and supply.

Consultations

Consultations will take place with NHS Regions, other Government Departments, companies that have crossed from the public to private sector (British Airways and British Gas), other large companies with large and complex buying programmes (Esso, Shell) and NHS suppliers.

July 1989

18. HO DEREGULATION REVIEW : ADMINISTRATION OF LICENSING

Issue Addressed

As part of the Whitehall-wide review of the administration of licensing the Home Office is looking at the way in which some 40 licences, largely dealt with by other authorities, are administered.

Progress and Consultations

Responses to a detailed checklist are being prepared and collated from information provided from within the Department and from consultation with representative associations (local authority associations, justice's clerks' society) and administering bodies (eg the Farriers Registration Council, the Gaming Board). Responses are still awaited from some associations.

Anticipated Benefits, Savings and Costs

It is difficult to estimate what may come out of this exercise at this stage, particularly as the EDU will be looking at licensing systems throughout Whitehall. Simplification of forms and systems is however one evident goal; a principle already established in previous Home Office licensing reviews. An initial report should be available at the end of July.

July 1989

19. HO DEREGULATION REVIEW : DATA PROTECTION ACT

Issue Addressed

Operation of the Data Protection Act 1984, with particular regard to the impact on data users of registration requirements.

Progress

Extensive consultation has been carried out by Data Protection Registrar. Reported May 1989. Committee now considering substantive issues.

Expected Completion Date

Autumn 1989.

Initial Findings

Reduction in registration system feasible.

Consultations

External consultation on the operation of the Act is part of the input to the review. When the draft report is ready other Government Departments need to be consulted. Any proposals for changes agreed by MISC 133 are likely to require public consultation.

July 1989

20. DTp DEREGULATION REVIEW : REVIEW OF PASSENGER AND GOODS VEHICLE OPERATOR LICENSING

Issue Addressed

To consider the scope for reducing the burden imposed by the operator licensing system upon goods vehicle operators and public service vehicle (PSV) operators, while maintaining adequate environmental and safety standards.

Progress

An internal review was conducted earlier this year and discussed in MISC 133 on 8 March. An official level Working Group has since considered the review recommendations in more detail, and prepared a package of proposals for consultation. A submission and draft consultation document was put to Ministers on 3 July. The aim is to go out to consultation in August asking for comments to be submitted by the end of October.

Initial Findings and Anticipated Benefits

The draft consultation document recommends changes to reduce the scope of licensing control and to simplify procedures, which would lead to a reduction in the financial burden on operators in the longer term.

Consultations

Consultation will be widespread and will include the Freight Transport Association, the Road Haulage Association, the Bus and Coach Council, the Associations of County and District Councils and Metropolitan Authorities, the National Farmers Union, the Civic Trust, Transport 2000, and some individual operators.

July 1989

21. EDU DEREGULATION REVIEW : BUSINESS LICENSING

Issue

The administration of business licensing: burdens on business caused by eg duplication between licensing authorities' requirements, unnecessary form-filling, multiple licensing of single businesses, etc.

Progress

Departments have gathered detailed information according to a checklist produced by EDU about licensing systems under their control and reported back to EDU. EDU is evaluating and comparing systems and practices.

Expected Completion Date

October 1989.

Anticipated Benefits, Savings and Costs

Not yet quantified. Likely savings to business and Government from simplification and streamlining, but extra costs may arise from changes in administrative arrangements, forms design etc.

Consultations

So far, Departments have sought information only from licensing authorities, including local authority associations in some cases. Wider consultation will take place when options for change have been identified.

July 1989

22. EDU DEREGULATION REVIEW : FIRE AND BUILDING REGULATIONS

Issue

Problems caused by overlap between fire prevention and building control regulations: enforcement, certification, training, communication (within and between authorities and business) and inconsistency are the main questions which have been addressed.

Progress

Consultants were engaged at the end of last year and have just submitted a final report which is being considered by EDU, DOE, Home Office and HSE. The Treasury is also being kept informed.

Expected Completion Date

Depends upon the actions arising from the recommendations of the final report. Further consultation may also be necessary.

Initial Findings

The consultants have identified a number of areas of difficulty. Amongst the recommendations emerging from their review are clarification of guidance (both to enforcing officers and to business) and clearer delineation of statutory responsibilities of the various authorities.

Anticipated Benefits etc

Not yet known.

Consultations

The consultants have consulted some 140 individuals and organisations, including builders, architects, property developers, building owners, fire and building authorities and training organisations.

July 1989

ANNEX C **TOPICS FOR THE SECOND ROUND OF DEREGULATION REVIEWS**

DTI

(i) Company law exemptions for private companies

To review the provisions of company law for their impact on non-public companies.

(ii) Review of regulations made under Part II of the Consumer Protection Act

The continuing work of repealing regulations made under Part II of the Consumer Protection Act 1987 and the development of industry standards.

(iii) CB radio licensing

To review the various options for improving the present system of CB licensing through general post offices.

(iv) Fixed-link radio user access system

To introduce a more accessible system for business to the Departments fixed links database to reduce the likelihood of commercial planners submitting technically unacceptable proposals for use of the spectrum.

MAFF

Proposals awaited.

C & E

(i) Review of industrial oils reliefs

The review will examine the burden placed on businesses by current administrative procedures, approvals and controls for obtaining relief from duty on oils used in manufacturing processes where the end product itself is not dutiable, and consider whether the records required to be kept by users can be simplified and official controls reduced.

(ii) **Review of methylated spirits reliefs**

The review will examine the burden placed on businesses by current administrative procedures, approvals and controls for obtaining relief from duty on spirits used other than for consumption as a beverage, and consider whether the records required to be kept by users can be simplified and official controls reduced.

DE (i) **Review of the disability quota scheme.**

The Scheme, established by the Disabled Persons (Employment) Act 1944, imposes on employers with 20 or more employees a duty to employ a 3% quota of "registered disabled people". It was described last year by the Public Accounts Committee as "ineffective, unenforceable, and outdated". The review would examine requirements on employers to keep records and make returns about registered disabled employees and to complete forms requesting permits to recruit people who are not registered.

HSC (i) **Review of strategy for negotiating EC health and safety Directives**

The HSC paper will assess general lessons for regulatory policy based on experience of negotiating EC health and safety Directives; coupled with a forward look at strategy in the approach to 1992. It will explore the general impact of qualified majority voting on the pace and style of negotiations and implications for UK negotiating and lobbying strategy, cost-benefit issues, interdepartmental co-ordination, plus communication and consultation with British business.

DOE (i) **General Development Order**

Review of the scope for further deregulation to permit development without the need for planning applications:

a) In relation to uses of open land and existing buildings in the countryside; and

b) In relation to non-domestic property.

DH (i) **Review of CAPRICODE guidance.**

The Department of Health's CAPRICODE guidance is a set of good practice (aimed to ensure that health authorities plan building schemes in a sound and consistent manner) which provides for Parliamentary accountability of the Health building programme. The review will examine those procedures to ensure that no unnecessary restrictions are placed on the construction industry. The review will take into account proposals in the White Paper "Working for Patients" which impact upon CAPRICODE guidance.

HO (i) **Betting-shop hours of opening**

To consider extending the permitted opening hours of betting shops beyond the existing statutory closing time of 6.30 pm.

IR (i) **P11D's**

An examination of the P11D form and procedures by which employers report employees' expenses and benefits in kind with a review to reducing the burden they impose on employers.

DSS (i) **Service to business in the new National Insurance Contributions Unit.**

The DSS is to set up a NIC Unit in April 1990. This review will examine those areas of the Unit's work which provide a service to business and make recommendations on how these can be improved and burdens reduced, consistent with other objectives of the Department.

DTp (i) **Type approval procedures for equipment on merchant ships.**

At present, equipment is tested in the presence of DTp surveyors before type approval is granted in line with international requirements. The review will examine the possibility of reducing costs to UK ship-owners by accepting equipment on the basis of specifications set by other bodies or approvals issued by other reputable national administrations, while maintaining safety standards.

DEn No proposals offered for this round.

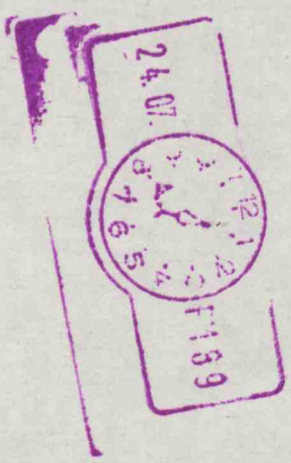
OMCS No proposals offered for this round.

SO Proposals awaited.

WO No proposals offered for this round.

NIO No proposals offered for this round.

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CONFIDENTIAL

FILE KK

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

MR. FAIRCLOUGH
CABINET OFFICE

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS AND COMPETITION

The Prime Minister has seen your minute of 12 July, together with the Chief Secretary's minute of 19 July.

The Prime Minister has noted the points set out in paragraph 11 of your minute. She is, however, concerned that this represents essentially a programme for further administrative work rather than an action programme. She would be grateful if further consideration could be given to the programme to ensure that good progress is achieved.

I am copying this minute to the Private Secretaries to members of E(ST), Peter Storr (Home Office), Anne-Marie Lawlor (Department of Employment), Stephen Pope (Northern Ireland Office), Uriel Jamieson (Scottish Office), Myles Wickstead (Overseas Development Administration), and to Trevor Woolley (Cabinet Office).

PRG.

PAUL GRAY
24 July 1989

CONFIDENTIAL

KK

MJ1ACJ

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

24 July 1989

Dear Martin,

NEXT STEPS

The Prime Minister has seen your minute of 21 July and also saw Mr Kemp's latest report on Next Steps. She agreed with the requirements which he identified for the further success of this initiative.

The Prime Minister shares Mr Luce's view that it is important to engage the full support of Ministers and she endorses the steps which he has taken to achieve this.

The Prime Minister has noted the specific progress which has been made in the Cabinet Office.

I am copying this letter to Sir Robin Butler and Peter Kemp.

Yours sincerely,

Andrew Turnbull

Andrew Turnbull

Martin Le Jeune, Esq.,
Privy Council Office.

PERSONAL AND CONFIDENTIAL

ANDREW TURNBULL

VALUE FOR MONEY SEMINAR 19 JULY

As you say an appalling meeting. Angus Fraser was concerned about what could be done on future occasions to avoid such a poor presentation of the issues. I doubted whether there was much more we could do though no doubt some lessons were learned during the meeting! However, I am happy to discuss this with you if you want to pursue.

As always your note does much to retrieve the position. Just a few suggestions:

Police The last sentence should read perhaps "... Neighbourhood Watch and Safer Cities were linked with a reduction in preventable crimes".

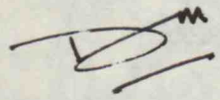
The Prime Minister's concern about management might be linked with her comments about the relationship between resources and outputs by adding "One aspect of this was that any suggestions for more effective policing met an immediate demand for more resources, yet the link between ever increasing expenditure and reducing criminal activity was not demonstrated by the figures. More use of CID skills might be one way of promoting more effective policing."

Prisons The sentence beginning "The Prime Minister" could end by saying "and the aim should be 100% sanitation [by the year 2000]" unless you think this would be seized upon as an agreed PES bid! One additional point which I do think should be added is - "Increased capital and staff resources put into prisons should produce positive benefits in providing opportunities to increase education and training for prisoners".

Magistrates Courts The reference in line 7 should be to Justices' Clerks. The distinction the Prime Minister drew between management of standards of service and the local administration of justice is very helpful. I would like to strengthen by adding a further sentence: "Good management of courts was essential in making effective use of resources and improving the standard of service to the public".

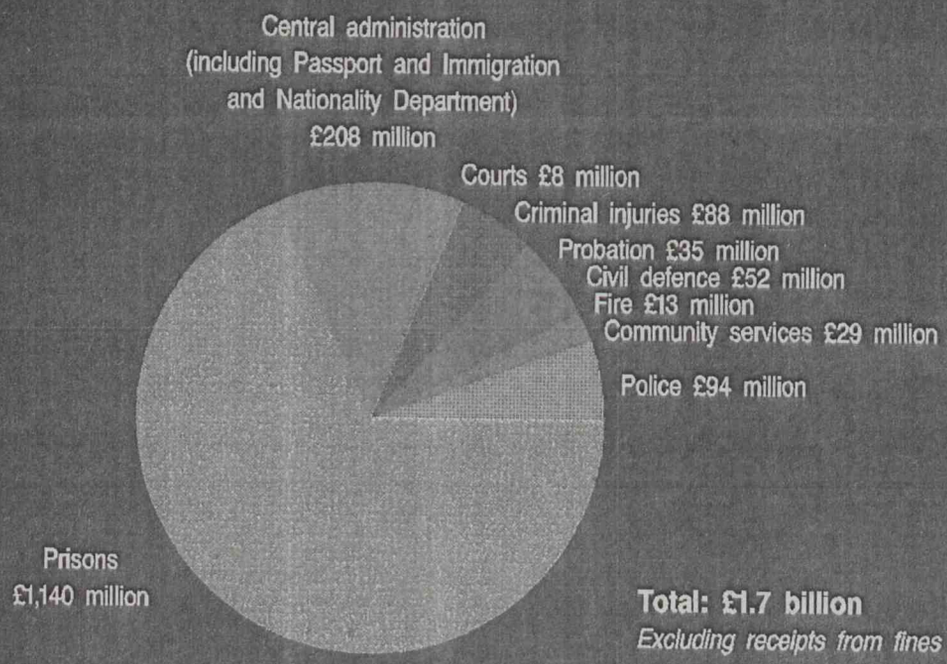
Summing Up Presumably we have a bit more licence here to try to influence the approach in future, perhaps on the following lines: "The Prime Minister said that more needed to be done to establish the value obtained from the extra resources committed across the whole range of Home Office activities. This meant a strong emphasis on good management at every level whether the services were administered directly or through local authorities. Where radical measures were required, for example on the Passport Office, they must be identified and pressed through. She argued that the reform of the Magistrates Courts should be presented

carefully in order to avoid the charge of centralisation and to emphasise the Government's desire for a better service to the public".



DON BRERETON
20 July 1989

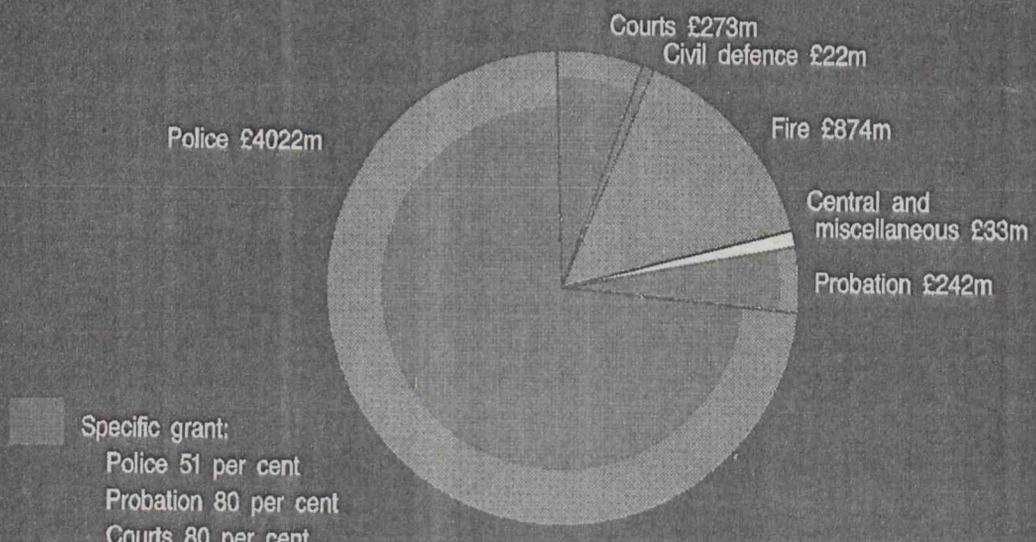
Home Office
Central government expenditure 1989–90



Total: £1.7 billion

Excluding receipts from fines and fees

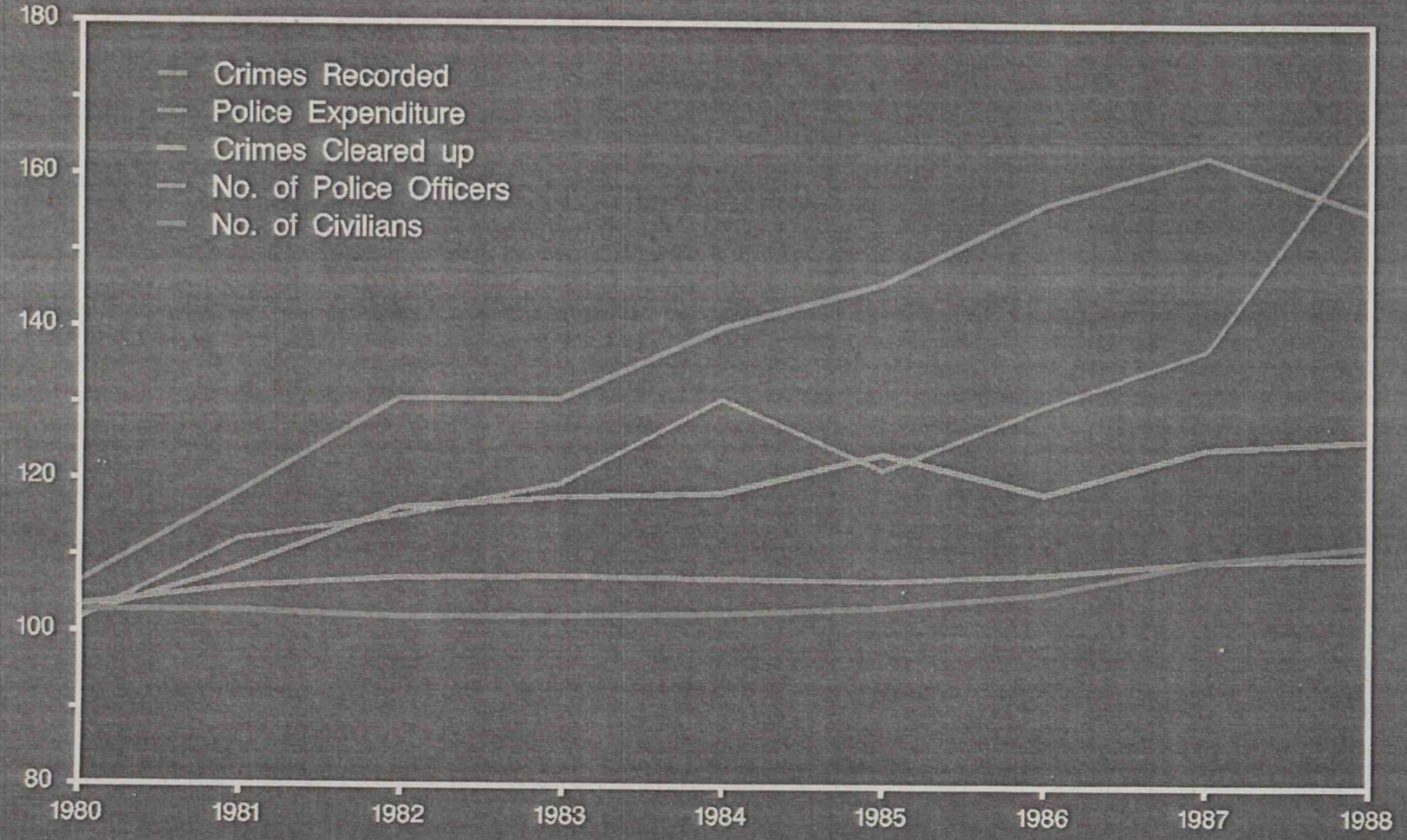
Home Office
Local authority expenditure 1989–90



Total: £5.5 billion

Police Performance

Growth Rates of Crimes and Police Resources



HMIC – 11 Key Factors

- % Category A civilians
- % Police operational
- % Population change
- Index of Social Deprivation
- Crimes per officer
- Crime density per 1000 population
- Area per officer
- Population per officer
- % of population under 24
- Road traffic injuries per officer
- % motorway miles as a % of road miles

Allocation of New Officers

- 835 new posts were available to Forces in 1988/89 – allocated as follows

– Patrol	654
– CID	82
– Traffic	13
– Drugs	24
– Channel Tunnel	20
– PACE	10
– Computers	9
– Child Abuse Unit	4
– Community Affairs	3
– Other	16

5

Police

	1986	1987	1988
% Clear–up Rate	32%	33%	35%
% of Strength Operational	90.6%	90.5%*	91.3%*
% of Strength Patrol		49.9%	50.2%
Civilianisation (% Key posts)	25%	64.7%*	67.7%*
% Cautioning 17–20 *Male*		26%	40%*
Female	12%	13%	25%*

* Provincial forces

* by 1992

5A

Police Performance

Crimes in 000's	1986	1987	1988
All Recorded Crime	3,660	3,716.2	3,550.2
Violence Against the Person	125.5	141	158.3
Serious Sexual Offence	22.7	25.2	26.5
% Crimes Cleared Up			
All	32	33	35
Violence	71	75	75
Serious Sexual Offences	71	75	75

Metropolitan Police

- Additional manpower provided to the Met with the aim of increasing officers on the street
  - Officers in Area & Division increased by 1300
  - HQ posts down by 400
  - Street Duty Hours increased by 20%
  - Clear–up Rate increased by 3%
  - Recorded Crime down by 6%

Crime Prevention

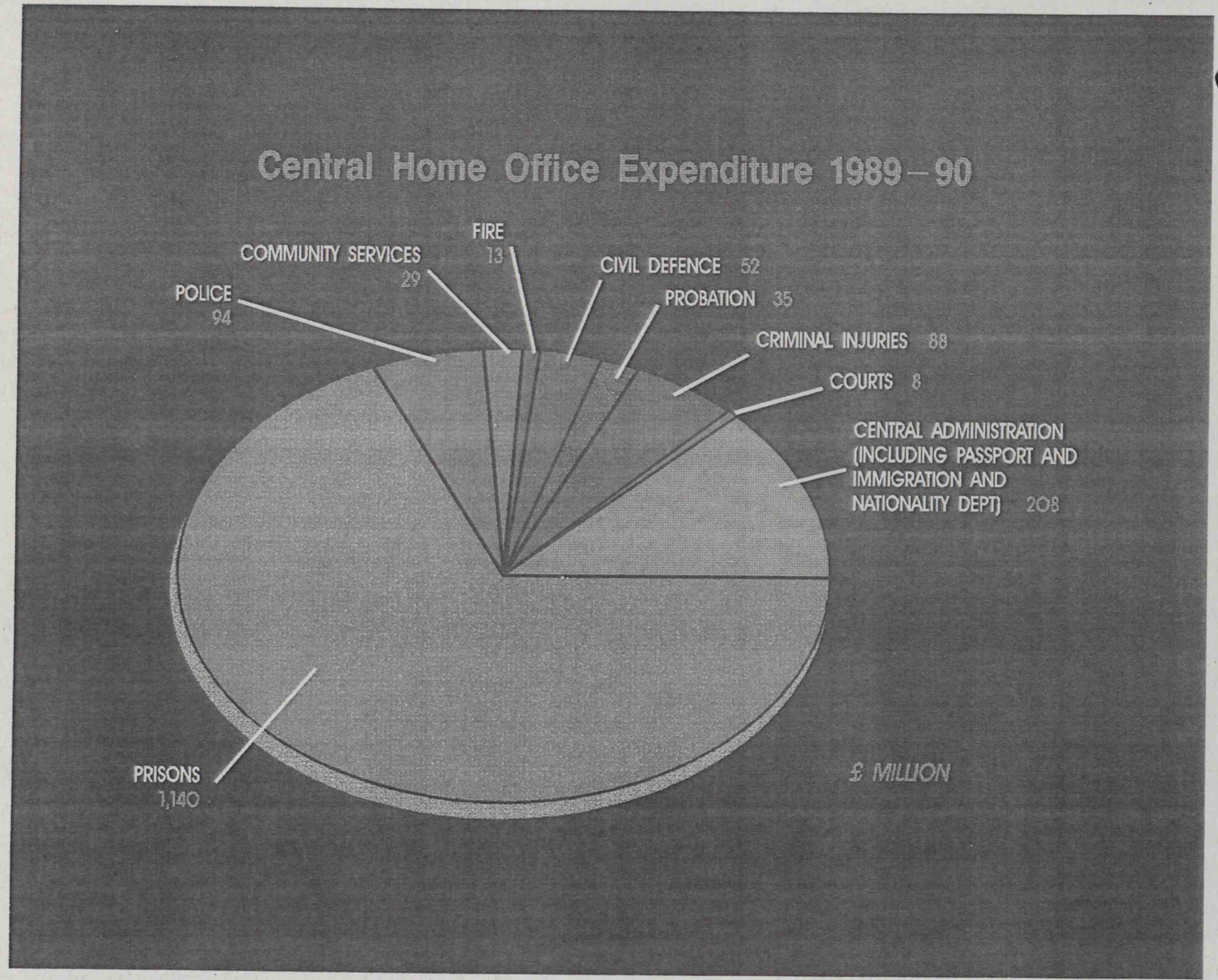
	1986	1987	1988
Neighbourhood Watch (Household, 000s)	968.5	1749.9	3520* (2,270 in provincial forces)
Preventable Crimes Committed (Burglary, 000s)	932	901.6	819.1
Preventable Crimes Committed (Total)	1920.0	1949.6	1799.0

* Includes Met area

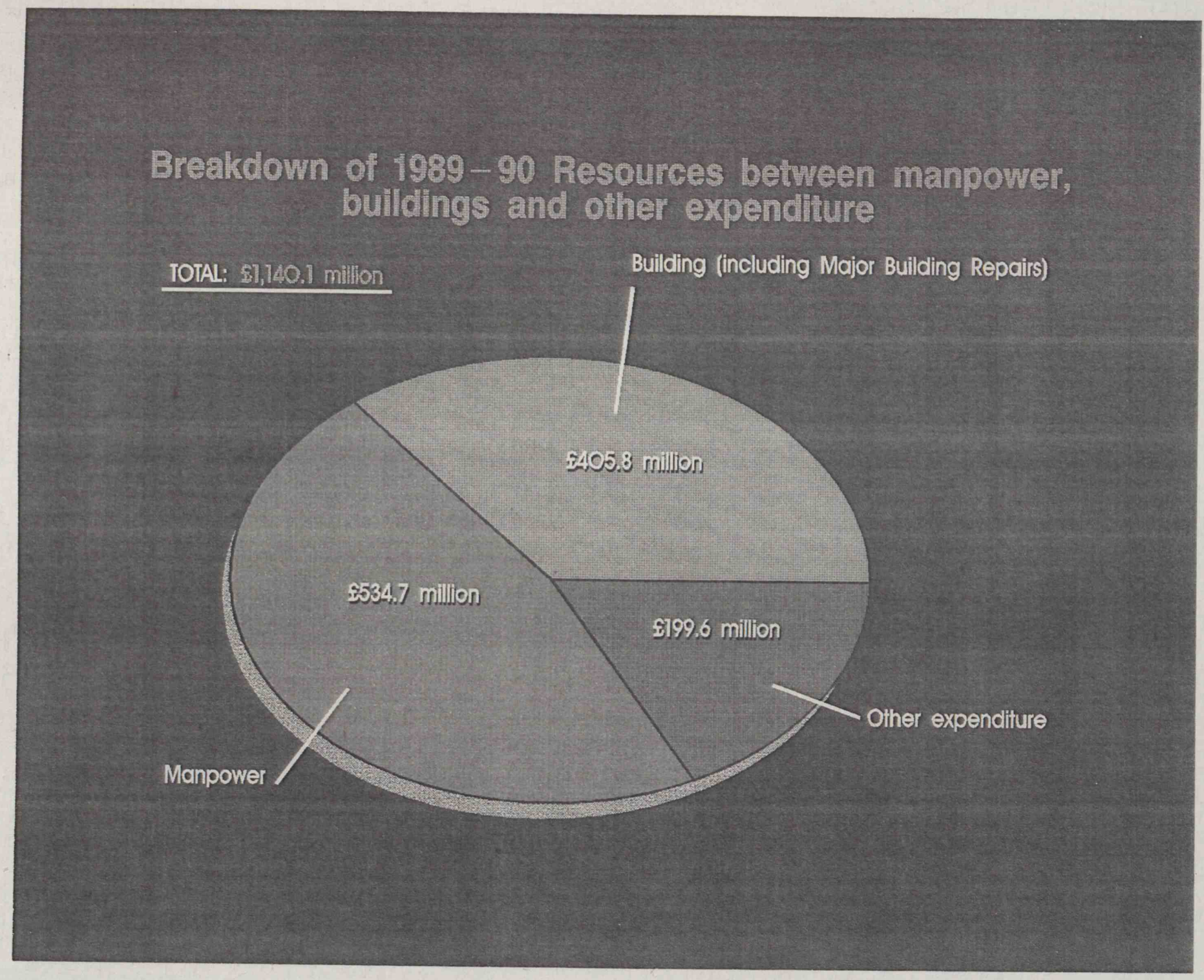
Preventable crimes are those susceptable to prevention by improved education and security by the public, ie burglary and theft of and from a vehicle

Police – Key Targets for 1989/90

- Continue to ensure that extra police manpower is employed for specific agreed needs, and that actual results are monitored
- Produce agreed criteria for need assessment, manpower allocation and performance evaluation
- Achieve further civilianisation – 200 in Met and 400 in provinces
- Increase cautioning for 17–20 year olds – 13% for males and 26% for females ('87) to 25% and 40% by 1992


Central Home Office Expenditure 1989–90
FIRE
13
COMMUNITY SERVICES
29
CIVIL DEFENCE 52
POLICE
94
PROBATION 35
CRIMINAL INJURIES 88
COURTS 8
CENTRAL ADMINISTRATION
(INCLUDING PASSPORT AND
IMMIGRATION AND
NATIONALITY DEPT) 208
PRISONS
1,140
£ MILLION

Breakdown of 1989–90 Resources between manpower, buildings and other expenditure



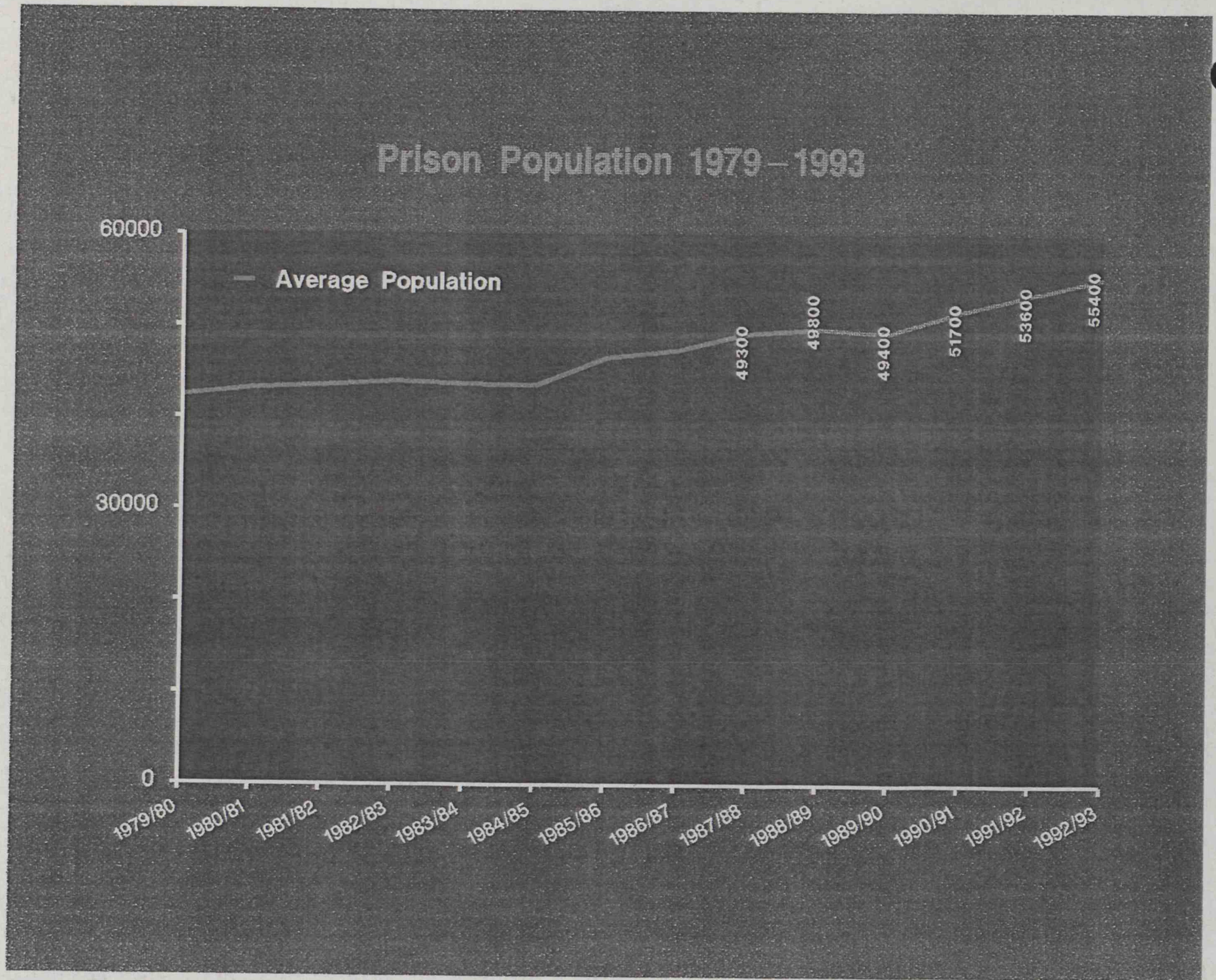
Fresh Start

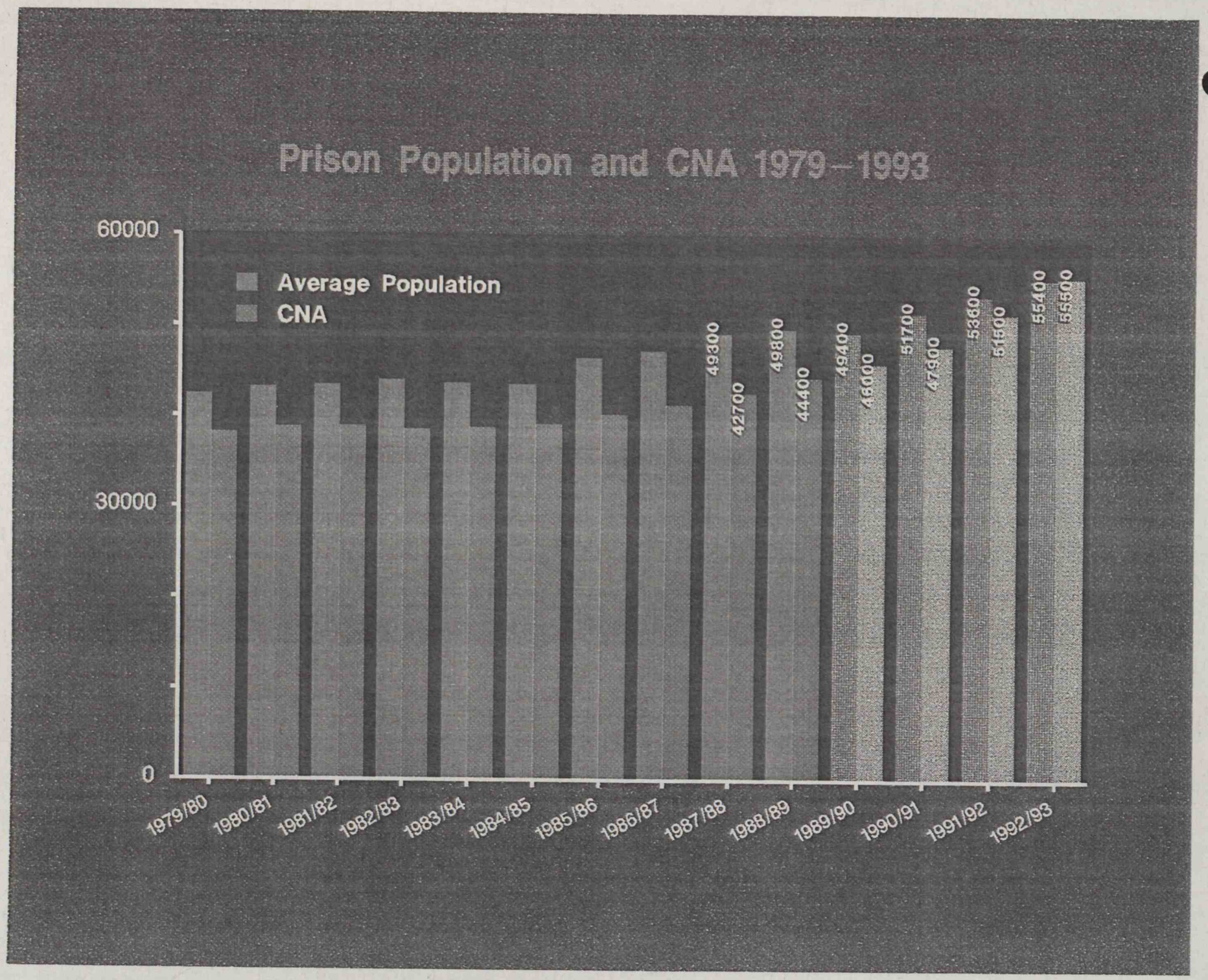
Fresh Start is now in place

- Governors preparing corporate objectives; performance baselines and key indicators. Monitored centrally
- Target 15% efficiency savings will be achieved by 1990; over 13% already achieved
- The average working week has been reduced from 56 hours to 45 hours
- Two stage civilianisation programme targets

1989/90	1990/91	1991/92	1992/93
100–150	300	400	550

1400 posts by April 1993


Prison Population 1979–1993
60000
30000
0
Average Population
49300
49800
49400
51700
53600
55400
1979/80
1980/81
1981/82
1982/83
1983/84
1984/85
1985/86
1986/87
1987/88
1988/89
1989/90
1990/91
1991/92
1992/93


Prison Population and CNA 1979–1993
60000
30000
0
Average Population
CNA
49300
42700
49800
44400
49400
46000
51700
47900
53600
51500
55400
55600
1979/80
1980/81
1981/82
1982/83
1983/84
1984/85
1985/86
1986/87
1987/88
1988/89
1989/90
1990/91
1991/92
1992/93

Prison Building Programme

- Delivery of Places –
  21 new prisons to produce 15,750 new places by 1995–96
- Place Producing Scheme –
  2,600 new places by 1990–91
- Efficiency improvements in construction management should produce 50% reduction in construction time
- Integral sanitation programme will reduce the current 50% places without sanitation to 13% by 2000

Prison Service Key Targets

- Deliver agreed additional accommodation, including the programme of integral sanitation, within agreed provision
- Extend regime opportunities by increasing average hours of inmate activity from 18.5 to 19.25
- Extend improvements in management and staff performance and productivity through further civilianisation of 100–150 posts
- Further reduce the numbers of hours worked by Grade VI to VIII – 18% cumulative reduction by 31/3/90

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The Probation Service is cheaper than Custody

- 1986/87 cost per week –

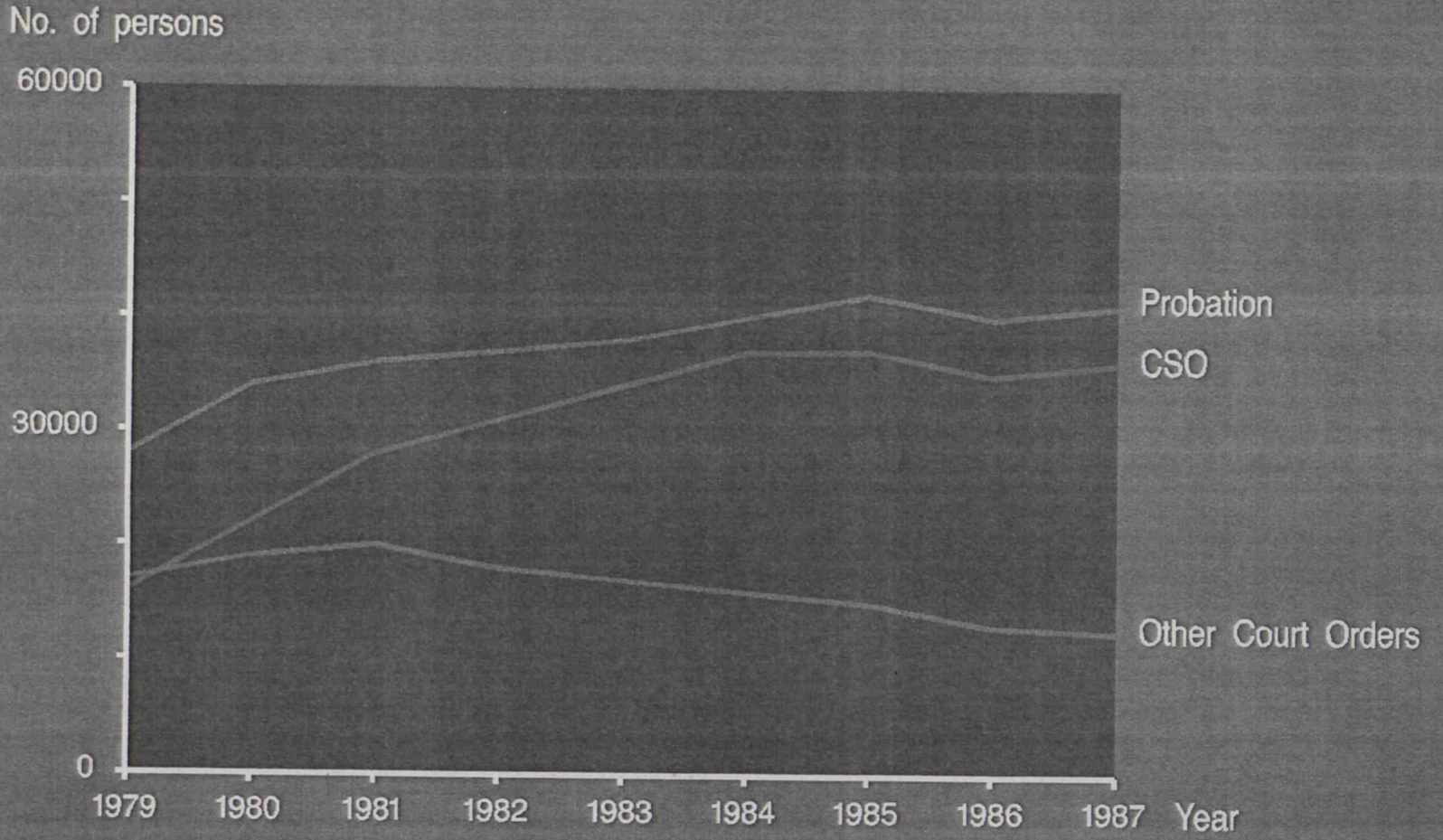
Probation Order	£17
Community Service Order	£15
Custody	£252

- 1986/87 an average probation order of 16 months cost the same as custody 9/10 weeks
- 1986/87 a CSO of 190 hours equated to a prison sentence of 9–12 months –

Comparative costs are: CSO £700
Custody £5000

During 1987 the Probation Service supervised 146,000 people – an increase of 1% on 1986

Persons commencing supervision by the probation service England and Wales 1979–1987 by type of supervision



With the exception of Probation and Community Service Order, figures are not available for 1983 and 1984

Green Paper "Punishment, Custody & the Community"

Aims –

- To make existing non–custodial orders more tough and demanding;
- To improve their effectiveness and the confidence of the courts and the public in them;
- To divert more offenders, especially young adults from custody sentences

Probation Service Key Challenges

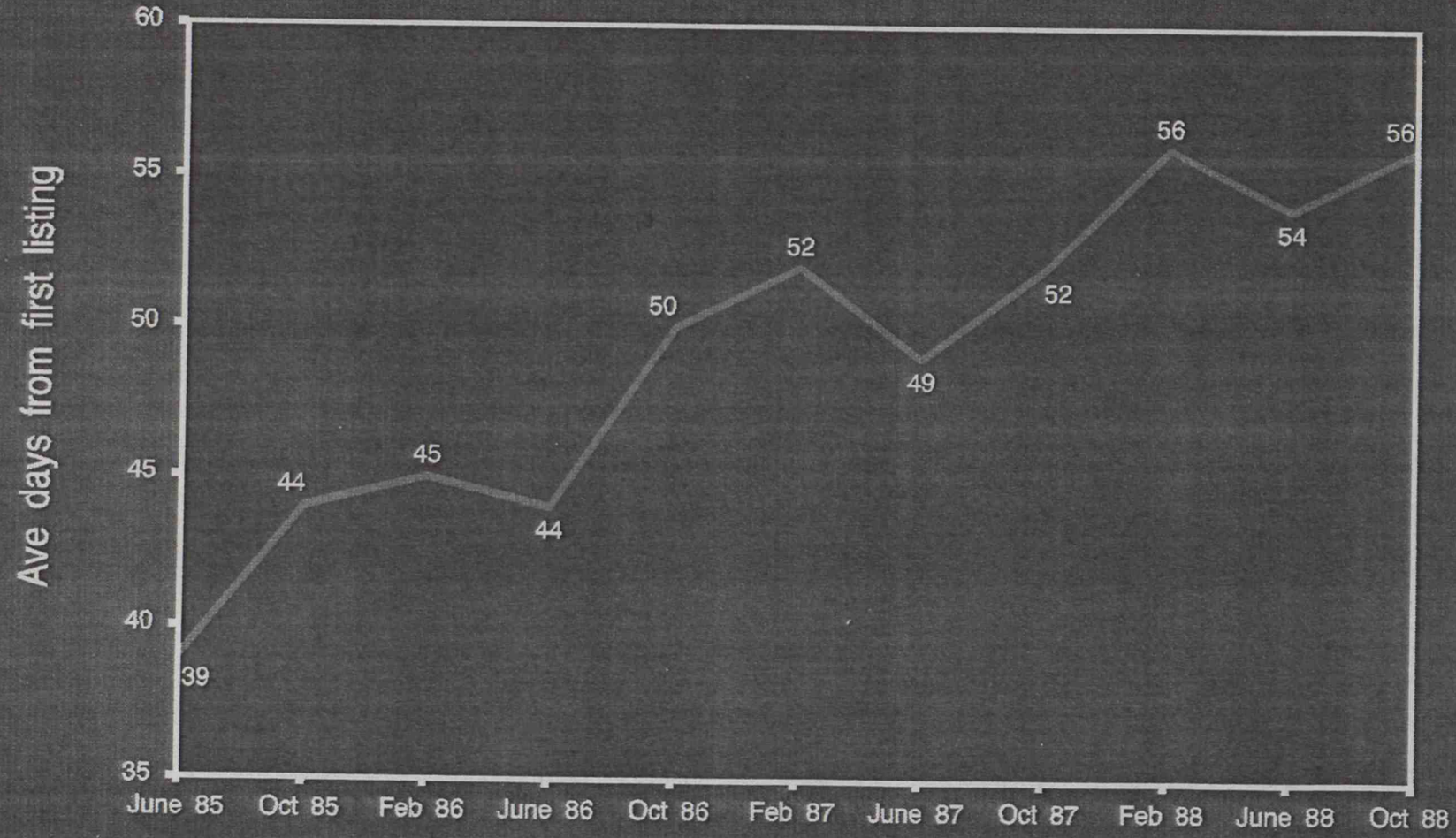
- Examine the feasibility of setting national performance targets
- Implement practical system on cash limiting the probation service, or other controls
- Take forward the policy described in the Green Paper "Tackling Offending", and in the long term achieve the target of reducing the number of 17–20 year olds sentenced to custody – 3000 by 1992 – a decrease of some 15% on 1988 figures
- Carry forward work on financial management information and caseload measures – pilot during 1990

Magistrates Courts
Ground Work

- 70% of most large and computerised Courts have set objectives
- 3 national performance indicators are to be set this year; waiting times, cost per case and fine enforcement, targets are being developed
- A fourth is to be piloted in 1990
- Scrutiny of magistrates courts has now been completed
- 28 day remand option under Section 155 of CJA reduces demand on prison and police officer time – Pilots about to start

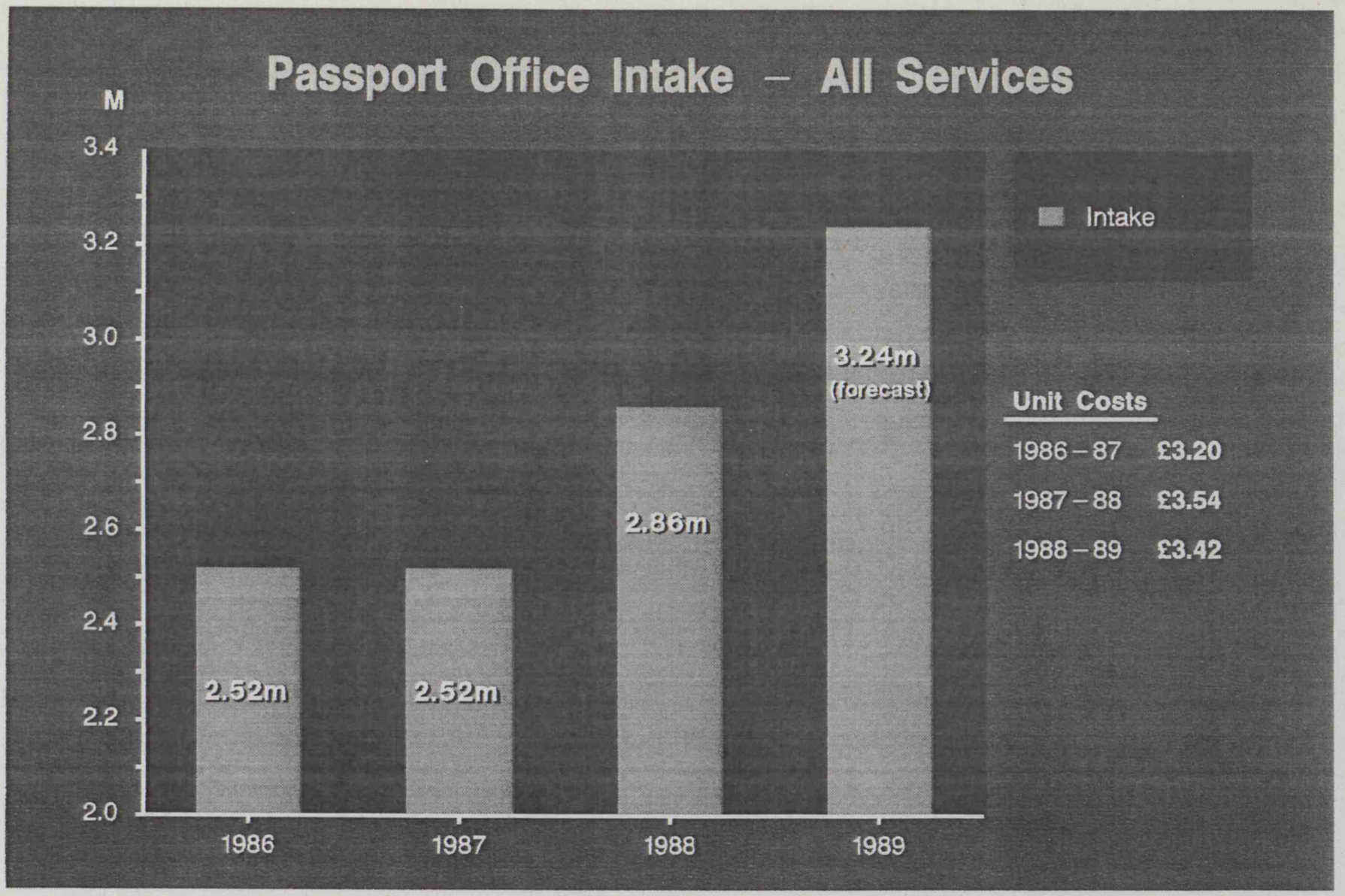
Magistrates' Courts Waiting Times 1985–1988

Indictable Offences



Key Targets : Magistrates' Courts

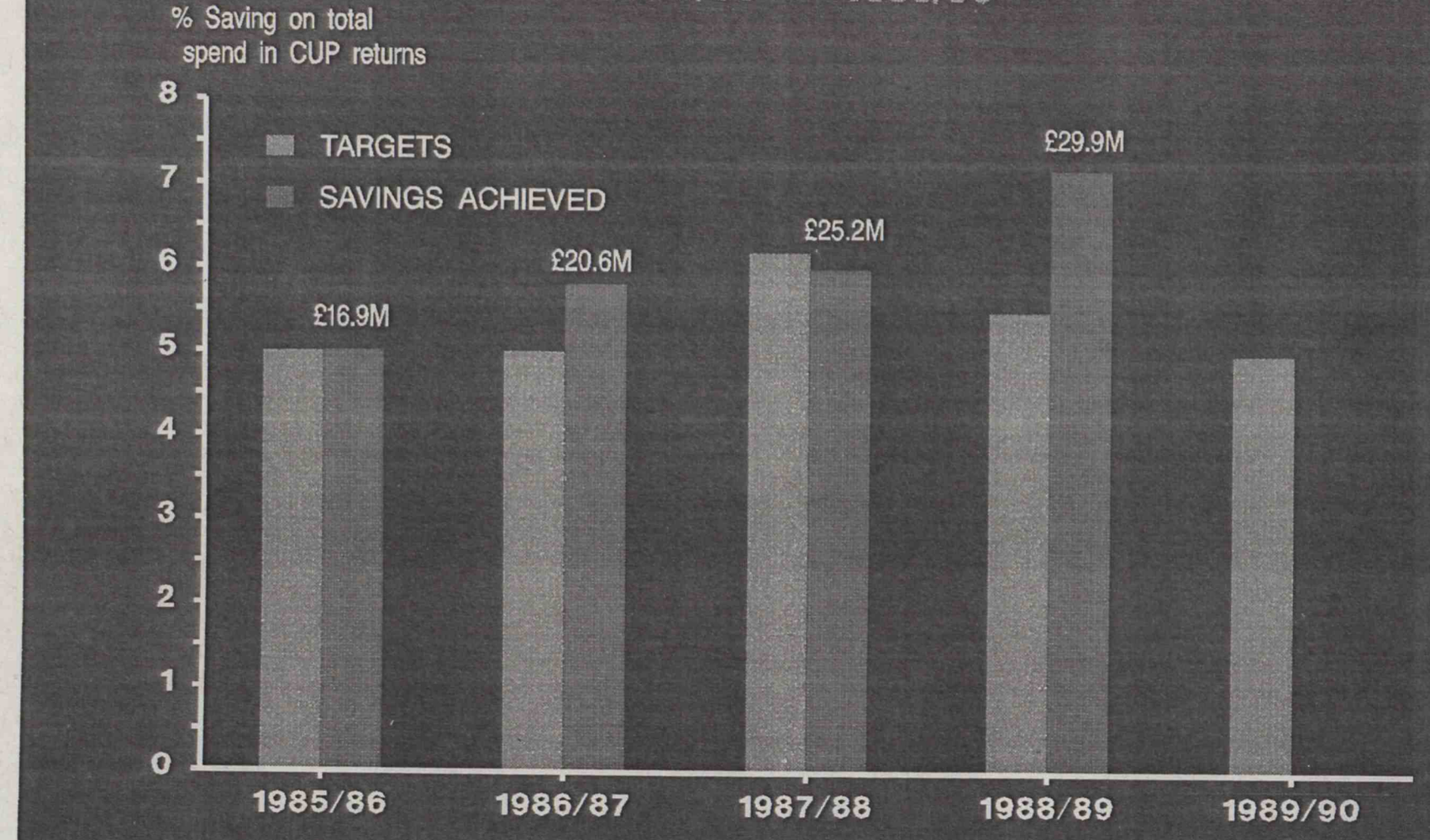
- Assess and begin to implement the magistrates' courts scrutiny
- Achieve agreement on cash limiting the magistrates' courts expenditure, or other controls eg over manpower
- Establish a national performance target on magistrates' courts waiting times;
- Over the PES period, work towards a 5% improvement in performance as measured by MIS indicators and towards no increase in committals to Crown Court


Passport Office Intake – All Services
M
3.4
3.2
3.0
2.8
2.6
2.4
2.2
2.0
Intake
2.52m
2.52m
2.86m
3.24m
(forecast)
1986
1987
1988
1989
Unit Costs
1986 – 87 £3.20
1987 – 88 £3.54
1988 – 89 £3.42

Passport Department Key Challenges

- Improve customer service – process straightforward applications within a maximum of 18 working days reducing to 5 days over the course of the PES period
- Complete computerisation
- Establish the Executive Agency

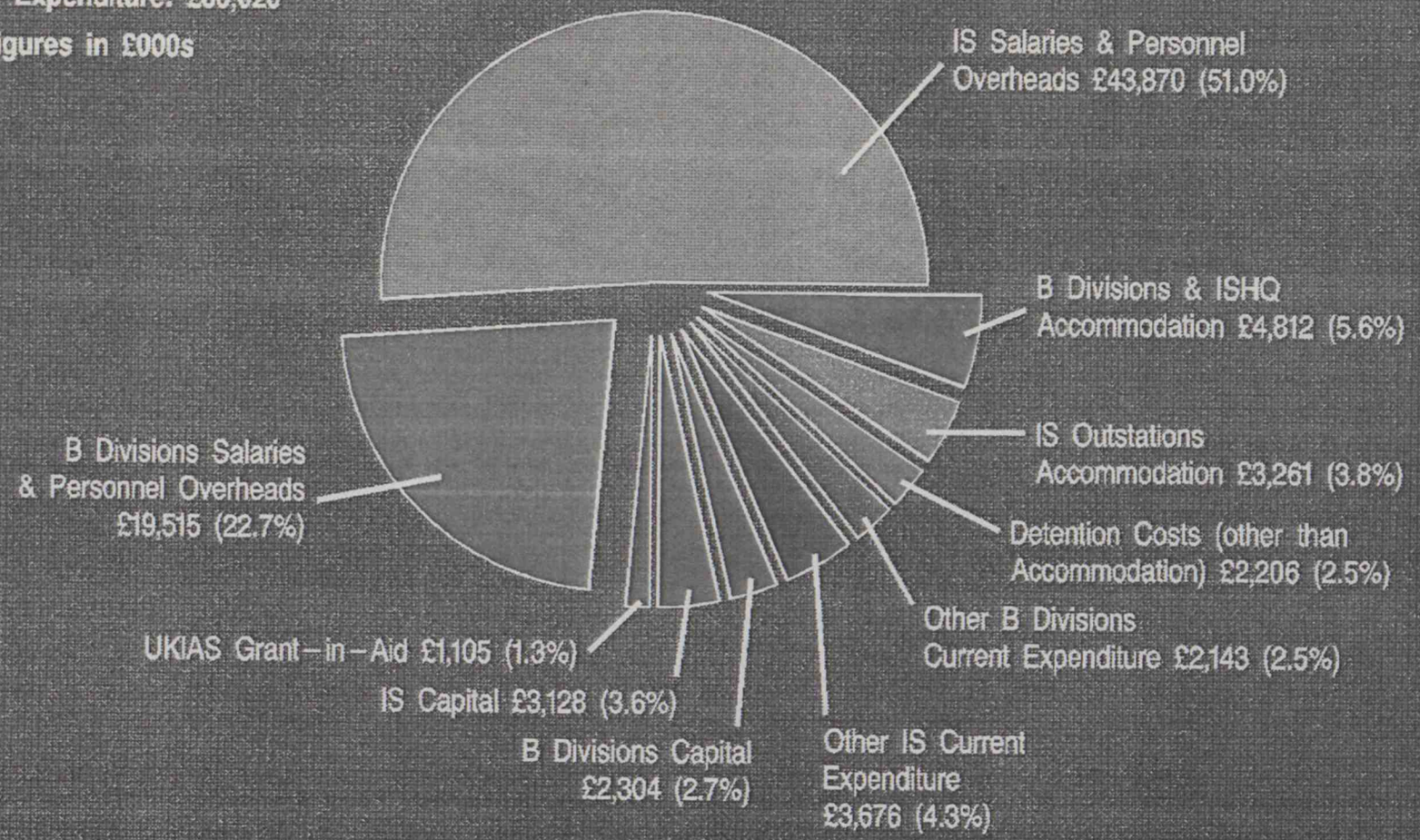
Home Office Purchasing Targets and Savings: 1985/86 – 1989/90



IND Expenditure 1989/90

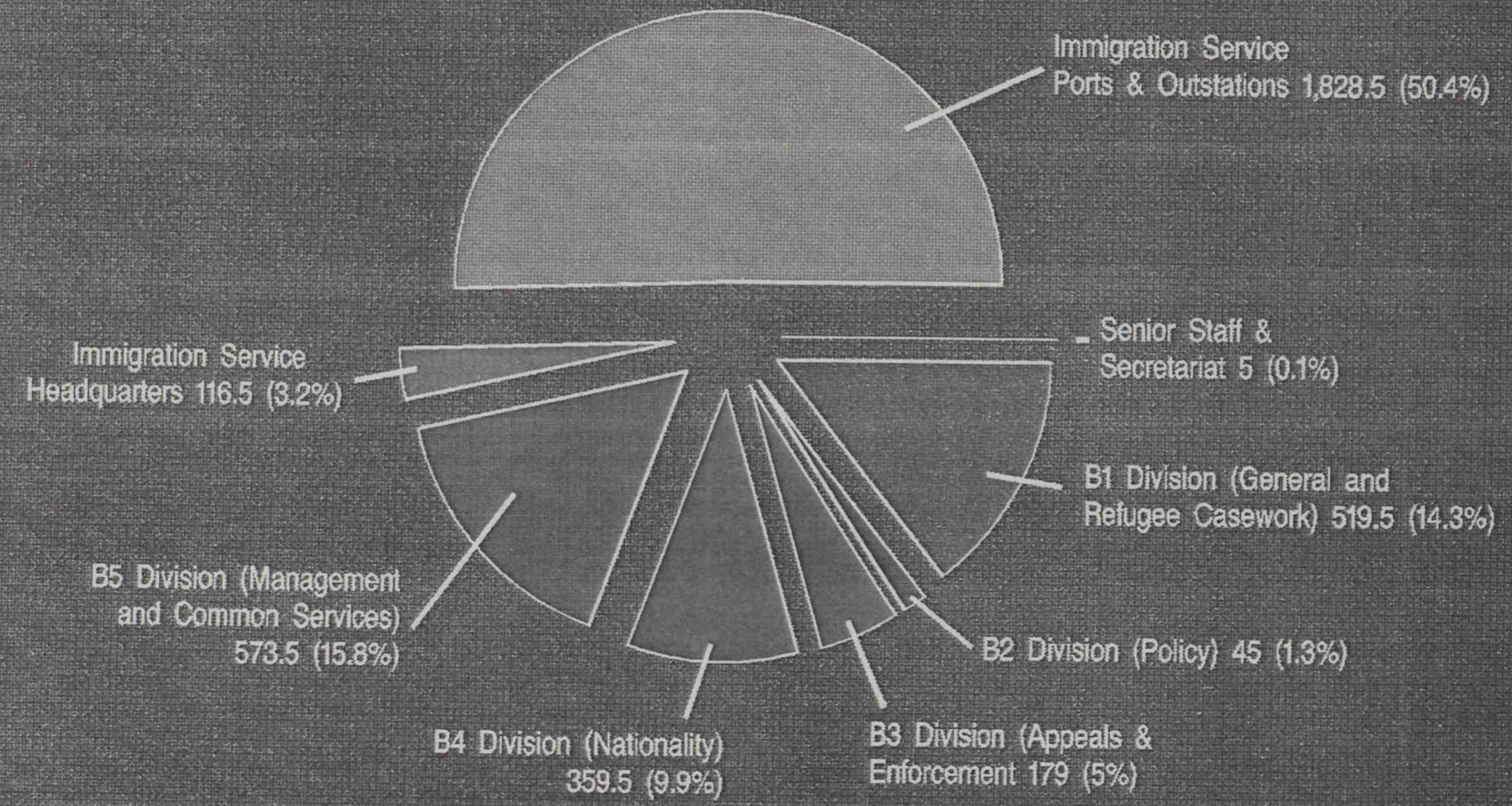
Total Expenditure: £86,020

All figures in £000s



IND Manpower 1989/90 – Staff in Post on 1.4.89

Total Number of Staff–in–Post: 3,626.5



Immigration Service 1989/90 : Performance and Efficiency

On entry and departure control measures are designed to achieve efficiency savings in IS running costs of 1.8% (which has already been deducted from the baseline in PES 1988)

The measures are:

- greater selectivity in dealing with crew members on ships;
- rationalising cover at certain ports where the nature of control has altered;
- implementing more efficient working arrangements in the SE District following a review of shift patterns;
- employment of seasonal officers on inward control;
- introduction of assisted Immigration Officer manning of 87 ports by (AO grade) on the embarkation control and certain office functions. Successful implementation of this initiative would result in annual savings of around £400

IND Key Challenges

- Improve productivity and service to the public at Lunar House
  - reduce general immigration arrears through PES period, from 46,000 at the end of 1986 to 13,000 by the end of 1992/93;
  - Reduce in real terms the cost per unit per completed case through the PES period, for general cases £22.76 (cash) in 1989/90 £26.69 (cash) in 1992/93 and for PEO £10.42 (cash) in 1989/90 to £12.75 (cash) in 1992/93
  - Reduce average decision time on business cases by one third to 150 days by 1989/90
  - achieve citizenship output for 1989/90 of 71,240 case units at an average cost of £53.00 (a reduction of 8% in real terms over the target for 1988/89)

PRIME MINISTER'S SEMINAR ON VALUE FOR MONEY IN THE HOME OFFICE

Home Secretary's Presentation

Subject	Content	Visual Aid
Home Office	**The Home Office continues to pursue VFM on large number of different expenditure fronts; through a mix of services, varying considerably in their size and degree of independence from control. Over 70% of expenditure of HO-managed services is Local Authority expenditure.**	**1. Central and LA expend on HO services (1989/90)**
Police	**Over 4/5 of the total expenditure is on the Criminal justice system. Police accounts for over 2/3 of that expenditure. Although this represents an increase of about 37% from 1980/81 up to 1987/88 this needs to be set against an 62% increase in recorded crime. As police manpower accounts for 75% of police expenditure (total:around £5,000m) it is crucial that bids for additional manpower are considered carefully.** The programme of bids from 1986/87 is:	

	1986/87	1987/88	1988/89	1989/90	1990/91
Bids	1,152	1,358	2,239	2,759	2,200
Approved	986	869	800	1,116	
% Approved	85.6	63.9	35.7	40.5	

(88/89 and 89/90 bids include carry over from the previous year)

Subject	Content	Visual Aid
(Police continued)	**Performance of manpower is therefore critical in the pursuit of VFM. We have made good progress through:**	**2. Police Resources (1980-1988)**
	(i) increasing the number of police officers on operational and patrol duties;	
	(ii) civilianising non-operational jobs previously held by police officers;	
	(iii) increased use of cautioning;	
	(iv) use of scrutinies;	
	(v) Sustained local efforts to improve VFM and use of resources. For example through the use of Admin Support Units and continued civilianisation. Thames Valley, for example, have achieved an increase of 20% "out of station time" from officers in the force.	
	Have been following initiatives:	
	(i) Dealing with bids for increased manpower	
	Home Office Notice 106/88 outlining the new basis for manpower allocations.	
	"Matrix" method suggested by Sir Robin Ibbs at the 1986 seminar has been developed. Used centrally to assess force performance. Enables forces to compare their performance with others. Eleven key factors from matrix are used by HMIC to prioritise bids for additional manpower.	**3. Key Factors.**
	HMIC Key Factors: Category A Civilians	
	Category A civilians within the police service are those who carry out administrative, clerical or technical work and who either:-	
	- replace a police officer;	

Subject	Content	Visual Aid
(Police continued)	- remove the need for police involvement; or - release part of a police officer's time for operational purposes. Increasing their numbers is thus a more refined goal than civilianisation per se.	

The Social Deprivation Index

The Index of Social Deprivation is collected by the Department of the Environment and used mainly for social policy targeting and funding in the inner cities. It covers a range of items including:

- % of unemployed people in an area;

- % of overcrowded households;

- % of single parent households;

- % of households lacking exclusive use of basic amenities;

- % pensioners living alone;

- % population change;

- standard mortality rate;

- % residents living in a household where the head was born in the new commonwealth or Pakistan.

The index is judged to be of particular value to policing in that the factors contained in it point up problems for the policing of the major metropolitan areas. Ministers were consulted on the use of the index in December 1988 and the Home Secretary agreed to its use on 23 December 1988. It is considered contentious in that it clearly shows links between unemployment and crime and ethnic minorities and crime.

Subject	Content	Visual Aid
(Police continued)	This ensures that officers are used for specific operational tasks. 835 new officers available to forces in 1988/89 (35 through efficiency savings at the Met) were allocated as shown:	4. Allocation of Manpower

This method is being further modified. Home Office at early stages of working out criteria for manpower allocation and performance evaluation. A recent Home Office/ Treasury study on police effectiveness will be recommending some improvements.

(ii) Civilianisation : Civilianisation remains good VFM (civilians are cheaper than police officers: 1 police officer equivalent to 2-3 civilian posts). Unit cost of a civilian in provincial forces is £9,280 set against £25,875 for a police officer.

- Since the civilianisation programme began in 1983 4,000 police officer posts have been civilianised with challenging targets of a further 600 posts set for 1989/90 by the Home Office.

(iii) Increasing use of cautioning for the under 21 is effectively diverting the young from the criminal justice process.

(iv) Continued Use of Scrutinies: The use of scrutinies has proven to be an effective method for identifying VFM improvements in central Government and we have now extended this to the police service.

- The police scrutiny programme is continuing with 16 completed or underway since 1986 and potential efficiency savings of £7.2 million, and many other real but unquantifiable benefits in improved effectiveness and better management practice, identified. For example, a scrutiny of the Scenes of Crime Department in West Midlands police has identified savings of £250k per annum by 1992, while a scrutiny of the South Yorkshire Police driver training has identified VFM improvements equivalent to £750k per annum including release of 5,700 mandays to operational duties.

- The first major scrutiny in the Metropolitan police covered overtime. New arrangements for approving overtime have reduced the overtime bill by 10% in real terms saving £5m per annum but with no decrease in effectiveness. At present the Met have three scrutinies in hand: the Special Constabulary, Civil Staff recruitment and retention for which action

Subject	Content	Visual Aid
(Police continued)	plans are being formulated and Abstractions from Duty which started in March. Two others are being implemented.	
	- We will continue to invite Chief Constables to nominate activities for scrutiny. New VFM Committee of the Central Conference has been set up with scrutinies as one of its major areas of interest.	
Results		
	- It remains difficult to directly link increased manpower with increased effectiveness and efficiency <u>but</u> as proportion of operational police officers and VFM increases, crime rates should decrease and crime clear up rates increase. But one of the aims of the programme of work on performance indicators must be to cover fully non-crime aspects of police work.	
	- However we have made significant headway	
	- The overall picture is as follows:	5. Police Performance (1986-88)
	- We are putting more police on the beat and civilianising key posts	

Subject	Content	Visual Aid
(Police continued)	- We are increasing the use of cautioning in young offenders - Although recorded crime overall is starting to come down, with clear up rates improving, violent and serious sexual crime is increasing, but the detection and clear up rates in these areas are encouraging at around 75%. Our efforts in these areas will continue.	5A. Crime/Clear Rates 86-88

Notifiable Offences Recorded by the Police in year ending March 1989: by Category (E&W)

Offence Group	1987/88	1988/89	% change	% Clear up (1988)
Violence Against the person	146.8	162.0	+ 10.3	75%
Sexual Offences	26.4	27.1	+ 2.9	75%
Robbery	32.4	31.8	- 1.9	23%
Burglary	886.4	801.5	- 9.6	29%
Theft/handling Stolen Goods	2,064.3	1,911.3	- 7.4	34%
Fraud and Forgery	136.5	130.6	- 4.3	71%
Criminal Damage	598.5	599.4	+ 0.1	24%
Other Offences	21.0	23.1	+ 10.0	96%
Total	3,912.3	3,686.8	- 5.8	35%

Subject	Content	Visual Aid
(Police continued)		

Proportions of Offences in each Category

	87/88	88/89
Violence	3.7%	4.4%
Sexual Off	0.7%	0.74%
Robbery	0.8%	0.86%
Burglary	22.0%	21.7%
Theft	52.7%	51.8%
Fraud/Forgery	3.4%	3.5%
Criminal Damage	15.3%	16.2%
Others	0.5%	0.62%

Notifiable Offences in Met Police District Barnet

	1987	1988
Violence	692	640
Sexual Off	99	134
Robbery	278	327
Burglary	4,082	4,474
Theft	10,406	9,117

Subject	Content			Visual Aid
(Police continued)		1987	1988	
	Fraud	639	698	
	Criminal Damage	4,231	3,882	
	Other	18	18	
	Total	20,397	19,368	
	Cleared Up %	18.3	20.4	

Results in the Met have also been encouraging

6. Met Police 4 Year Programme Results after 3 years (from 1986)

<u>Crime Prevention</u> is an important theme in this government:

Two major initiatives, Safer Cities and Crime Concern, in 1988.

To date £287k has been spent on Safer Cities with provision of £4.2m in 89/90

- Substantial increases in the numbers of households involved in neighbour-hood watch schemes harnesses community efforts and concern and improves police/community relations as well as helping to reduce crime

7. Neighbourhood Watch and Prevention Crime figures (1986-

- steady reductions in preventable crimes committed seems to demonstrate that our policy to place greater emphasis on Crime Prevention is working.

- Preventable crimes are those susceptible to prevention by improved education and security by the public, ie burglary and theft of and from a vehicle.

Subject	Content	Visual Aid
(Police continued)	- We shall continue to build on this. Central Support for the police service continues is provided by the divisions of the Science and Technology Group (STG). These include the Police National Computer Organisation, the Forensic Science Service and the Directorate of Telecommunications. The first two are funded through the Common Police Services arrangements. - VFM improvements in the provision of these services, particularly the PNCO have achieved efficiency savings of £424K on hardware maintenance costs in 1989/90 following the introduction of new main frame equipment in 1988. These savings should continue to accrue. - Private sector consultants have recently completed a review of future options for the provision of the STG. The Forensic Science service is to be developed into an executive agency. More radical solutions are proposed for the remaining parts and substantial VFM improvements are expected. These solutions include possible immediate privatisation of D/Tels or an interim executive agency followed by a trade sale in due course, and facilities management for all or part of the PNCO. - Our Key Challenges for 1989/90 again recognise the importance of the effective use and performance of manpower.	8. Police Department Key Challenges
Prisons	At the other end of the Criminal Justice system are the prisons. At £1,140 million in 1989/90 Prisons account for 14% of total Home Office expenditure. but over 2/3 of central expenditure. Breakdown - manpower intensive.	9.Prison/Home Office Expenditure 10. Breakdown of Prison Expenditure

Subject	Content	Visual Aid
(Prisons Continued)	- Programme is heavily manpower intensive and our priorities are to secure better VFM in the use of manpower and a more effective prison building and place delivery scheme. - We have made substantial progress since 1986. Fresh Start is now in place and considerable progress has been made with implementation.	11. Examples of Fresh Start achievements

The general aim of Fresh Start is to replace existing management structures, systems and methods with working arrangements that provide greater use of staff time and clearer lines of management accountability.

- This year governors are preparing corporate objectives and key indicators to measure progress towards that aim.

- New working patterns and management structures have been introduced.

- The average working week has been reduced from 56 hours to 45 hours.

- The prison service is well on target to deliver the Fresh Start implementation 15% efficiency savings of approximately £48m (3,000 officers) by April 1990.

- In addition further efficiency savings of £40 million (the equivalent of 2325 staff) will be made in the next three years as prison officers' working week is progressively reduced.

With Fresh Start the working week was reduced from 40 hours plus an average of 16 hours overtime per week to 39 hours plus 9 optional contracted hours per week in 1987. Under the framework agreement contracted hours reduce further by 1 on April 1 1988, 2 on April 1 1989 and by 2 on April 1 for the next 3 years until 1992 when officers will be working only a standard 39 hours per week.

- Although no commitment was given to recruit extra staff to implement Fresh Start, under the framework agreement staff will recruited up to the equivalent of half of the hours lost through the reduction on working week. Over the five year framework agreement recruitment of some 2,250 -2,300 staff is required.

Subject	Content	Visual Aid
(Prisons Continued)		

- Total Prison Service manpower figures are:

1.4.87	1.4.89	1.4.91 (projected)
28,221	31,445	35,052

- **A new civilianisation programme is being launched. Currently subject to staff association discussion. Aim is to convert 1400 posts by April 1993.**

- **All this despite the highly sensitive industrial relations climate.**

New Prisons: In addition to eight new prisons opened since 1985 at a total cost of £200.4 million pounds seven are under construction, with the first of these scheduled to open in 1990 and of the remaining 13 prisons, which are at various stages of planning and design, five are planned to start on site this year. Total cost of £700 million. This programme is designed to gradually eliminate prison overcrowding and to bring the numbers of CNA up to projections.

12. Population (1979-1993)

Population and CNA projections are shown in grey.

Over Crowding

- On most recent figures available effects a considerable percentage of the prison population

- 12,434 males inmates and 182 female inmates
2 to a cell in accommodation designed for 1

- 5,058 male inmates are accommodated 3 to a cell designed for one.

- Also results in need to open up emergency camps and accommodate prisoners in costly police cells

13.Population/C-NA (1979-1993)

Subject	Content	Visual Aid
(Prisons continued)	- The programme of new building will produce a total of 15,750 new places by 1995-96. In addition a new "place producing exercises" will provide 2,000 additional places in , with a further 600 places being produced in 1990-91.	14.Detail of Prison Building Programme

- We are seeking efficient delivery of this programme. Reduction of 50% in construction time achieved through new design briefs, improved procedures for financial management and project control and a re-organisation of the DOW and its financial procedures. For example the use of standard houseblock designs has enabled us to move from a decision to build to delivery in 18 months with savings of £4m. The use of repeat design in 11 of the 13 prisons being planned should enable a new prison to be built in about 3.5 years instead of the current 7 years. The average cost per place of a repeat design on Teeside is £67,000 as compared with the average cost per place of a unique design in Doncaster of £96,000.

- Reorganisation of the DOW has produced a 75% increase in the work output despite a reduction in staff. This is reflected in the substantial increase in the prison building programme and expenditure. In this instance money spent can be used as a proxy measure of output. Expenditure in 1989 is expected to be £385m.

Other Initiatives

- Integral Sanitation Programme: We have established a £16 million programme designed to reduce the current 50% of places without access to sanitation to 33% (about 15,500) by 1995/6, with a further target of reducing places without access to about 8000 (13%) by the end of the century.

- The balance of 13% falls into 3 categories:

    - complex adjustments linked to other redevelopment programme

Subject	Content	Visual Aid
(Prisons continued)	which depend on obtaining approval and money from the Treasury and decanting prisoners while the work is being done; - those which are not be converted because the prison is likely to close early in the century; - those where building and structures make it difficult to achieve either a simple or complex conversion. - The Department is currently undertaking a review of the options for providing integral sanitation for these outstanding 8000 places. It is hoped that progress will be made and that we may be able to exceed our target by the end of the century. - **Energy Savings: New measures to ensure energy efficiency gains have reduced the annual fuel bill for the prison estate from £25m in 1980 to £19.5m in 1988/89 despite an 13.5% increase in the size of the estate.** - **Inmate Activity: A monitoring system has been introduced which records the numbers of inmates taking part - and for how long- in a range of occupational activities. For the final quarter of 1988/89 the system was reporting a national average figure of almost 18.5 hours of weekly activity per inmate. The aim is to increase this to at least 19.25 this year.** Inmate activity covers employment (in farms or industry), education, physical exercise and free association (time out of cells). - **Organisational Review: We have also undertaken a major organisational review of the Prison service in conjunction with private sector management consultants PA. This is due to report at the end of July with some fairly radical recommendations, eg to relocate significant number of posts outside London.** - **We are exploring Private Sector Involvement in the Prison Service, mainly in the provision and management of new remand centres, although failure to secure a place in the 1989/90 legislation programme will lead to some delay.**	

Subject	Content	Visual Aid
(Prisons continued)		
	- We have set ourselves 4 key challenges for 1989/90	15. Prison Service Key Challenges
	- New Prison Service Grade titles were approved by Ministers earlier this year.	
	- Grade V111, V11 and V1 replace the old Officer, Senior Officer and Principal Officer Grades. Grade 5 is the bottom of the Governor ladder.	
The Probation Service		
	- The Probation Service delivers VFM because it is clearly and demonstrably cheaper than custody. For example the cost per week of a probation order was £17 in 1987, as as against £252 custody. An average probation order of 16 months cost the same as 9/10 weeks custody.	16. Costs of Probation/ Custody
	- The probation service has a key role to play in the Government's plans to secure improvement and better overall VFM in the operation of the Criminal Justice system.	
	- The sentencing policy of increased punishment in the community is also designed to reduce the prison population.	
	- The use of the probation service is increasing. In 1987 for example 146,000 people were supervised representing a 1% increase on the previous year. The proportion of offenders receiving probation and Community Service Orders is increasing; proportion given custody decreasing. Initial figures for 1988 show a small upturn in those commencing supervision from the Crown Courts, and a reduction from Magistrates Courts.	17. Probation Service Activity
	The Probation Service's Caseload	
	- Probation Orders and Community Service orders account for well over half of the Probation Service caseload (76,070 out of a total of 146,450 in 1987). The other court orders on the slide are mainly Supervision under the Children and Young Persons Act 1969. (17,680 in 1987), not included is the provision of voluntary or statutory aftercare	
Subject	Content	Visual Aid

(Probation Service continued)

(54,450 in 1987). Since the latter is obviously directly concerned with keeping people out of prison, it could be said to fit in with the emphasis on the more serious offender.

A slight dip in 1986 does not represent a weakening of the strategy of strengthening the role of the probation service but coincides with the introduction of PACE and the CPS which had the effect of weeding out less serious offences which could be dealt with adequately outside the courts. These are likely to be petty offences rather than the target areas of the probation service.

18. Green Paper Main Themes

- By this we see the clear impact a tougher Probation Service - toughened up by implementing the 1986 Green Paper - is having on the effective and efficient running of the Criminal Justice process. The increased use of probation services sentences is focussed, and the results bear this out.

- The proportion of individuals sentenced for indictable offences - ie the most serious cases - and given probation orders has increased from 9% in 1986 to 9.5% in 1988.

- As a result the Probation Service is supervising <u>increasingly more serious offenders</u>. In 1979 20% of offenders on probation had a previous custodial sentence; by 1989 this had risen to 34%.

- We plan to build on this. Funds are available this year for 30 new day centres and 20 intensive probation programmes

- Bids have been made in PES for 5 new day centres and 10 intensive probation programmes and for grants of £6m for voluntary organizations to help the probation service supervise the young adult offenders.

- We have a number of different initiatives which will continue to improve VFM of the probation service. Some of these were mentioned in the 1986 seminar and include:

Subject	Content	Visual Aid
(Probation Service continued)	- proposals to cash limit the Probation Service, currently costing £225 million on which the Home Office has an open ended commitment to pay 80%. This is because spending decisions are taken by local committees, and local authorities, which are responsible for financing that spending (with the aid of the 80% HO grant), cannot veto budgets. There are constitutional and practical difficulties. Officials are currently discussing these with the Treasury. We will need to look carefully at other options before introducing change. - work on implementing the efficiency scrutiny of HM Inspectorate including: - efficiency and effectiveness inspections - development of performance indicators - the introduction of pilot financial management information system. - development of a caseload measure for probation service work; A national survey of probation caseloads is to be undertaken shortly by a survey company, at an estimated cost of £75K. Results will be available in mid-1990 We have 4 Key Challenges for 1989/90 - Work on developing national performance standards is in its early stages and is not yet possible to say what these might be.	19. Probation Service Key Challenges

Subject	Content	Visual Aid
The Magistrates Courts		
	- In the last 3 years there has been progress in establishing machinery for promoting better VFM in the Magistrates Courts system.	20. Ground work
	- The successful introduction, in 1988, of the management information system is seen as a major contribution to this, particularly with regard to monitoring local and national VFM targets and objectives, although we do not expect to see its impact until next year.	
	- Courts have been told firmly that additional resources will not be available unless related to specific performance objectives.	
	- We are introducing a national target for waiting times in Magistrates courts - which are a cause for concern - this autumn followed later in the PES period by quantified targets for cost per case and fine enforcement (in 1987/88 average percentage of fines enforced was 30%: 2% less than the year before).	21. Waiting Times (85-88)
	- A fourth key national indicator is being tested this summer. It measures by a a weighted index the service provided to court users including waiting times on the day and facilities provided (eg interview rooms and refreshment facilities).	
	- Aim is to achieve a 5% efficiency improvement in each of these key indicators over the PES period.	

Subject	Content	Visual Aid
(Magistrates Courts continued)	- Cash limiting the Magistrates courts service specific grant is also being considered and is subject to the same difficulty as the probation service.	
	- Also severe staffing difficulties - 23% shortfall in court clerks at end of Feb 1989. The service is short of about 280 qualified court clerks (23% of establishment) (these vacancies having to be filled by trainees). In consequence large numbers of court hearings are being cancelled. Last year over 16,000 sitting hours were lost. The service is also short of 200 junior administrators and clerical staff (6%) which is impairing the effect-ive enforcement of fixed penalties.	
	- Trials of Section 155 of the Criminal Justice Act 1988, extending maximum remand from 8 to to 28 days to reduce court, prison officer and police time, in 4 centres at present.	
	- Our key challenges for 1989/90 are.	22. Magistrates Courts Key Challenges
	- But future plans will need to be reassessed following the report of the recent scrutiny, which questioned how far VFM could in fact be improved under existing arrangements, which lack any clear lines of accountability for resources.	
	- legislation would be needed to implement the scrutiny's radical proposal for a nationally organised but locally managed magistrates' courts agency, on which we are now engaged on urgent consultations.	
The Passport Department		
	- Expenditure on the UK Passport services is likely to be £35 million in 1989/90, with additional expenditure of around £21.9 millions on Consular Services levy a total spend of £56.9 millions. Income for the same period is expected to be £56.7 million. We therefore fall short of covering Passport Department costs by around £200K. All income is paid into the Consolidated Fund.	
	- Demand for passports is increasing	23. Passport intake 86-88
	- The major objectives of the Passport Department are to process applications more efficiently and provide a better service to the public by speedier turnaround times. These must be set against a difficult industrial relations background culminating in	

Subject	Content	Visual Aid
(Passport Department continued)	recent weeks with a strike at Liverpool in support of a claim for more full-time staff.	24. Passport Department Key Challenges

- The first key challenge to improve customer service and reduce processing times to 5 days over the course of the PES period is dependent upon the ability of the computerised offices to attain a smooth and speedy throughput with no accumulation of backlogs.

- Latest processing times (based on the date of the oldest case) are:-
London (38 days), Liverpool (97 days), Peterborough (61 days), Newport (46 days), Glasgow (64 days) and Belfast (4 days). Urgent cases from all offices have been extracted and are handled with priority and as a result the figures look worse than they really are.

- The output per person per day figure for 1988, taking all issuing offices together (but excluding staff at the Hayes Record Office and at Headquarters) was 12.23 passports. Not all issuing officers are directly involved in the issuing process and each completed passport passes through several stages before its issue, the work being organised according to those stages rather than being focused on particular applications.

- The unit costs figures shown on Visual Aid 23 are at 1986/87 prices and have all been calculated on the same basis: namely all staff costs divided by all issues, not purely the costs of staff at issuing offices.

- Against a background of steadily rising demand (which is expected to reach 3.5 millions by 1990/91 against 3.2 million in 1989/90) this target is also contingent upon an increase in staff resources. A PES bid has been made for 450 extra posts in 1990/91. This includes the 203 additional staff recently agreed with the unions. It has been agreed that

Subject	Content	Visual Aid
(Passport Department continued)	a full staffing review should take place this year and report by the end December. - The second key challenge is to complete computerisation. This is broadly on schedule with the Newport, Peterborough, London and Belfast Offices due to be computerised by the end of this year. Teething difficulties at Glasgow and Liverpool have led to lower productivity than anticipated. - For example in taking figures for April/May 1988 and 1989 output fell by 42.5% following computerisation in the Liverpool office (and this despite a drop in intake of 16.24%. In the Glasgow for the same period intake had increased by 51.6% but output had increased by only 9.6%. - For the Passport Department as a whole intake is up by 2.34% but total output is down by 16.73% - These difficulties are being addressed and it has been agreed to undertake an immediate review of the operation of the computer system. Coopers and Lybrand the private sector management consultants are to undertake this work. The total cost of the PIMIS project is £7.5 million. - The third key challenge is to establish the Passport Department as an Executive Agency. The Prime Minister announced Passport Department as a candidate in February 1988. The main aim is to enable management to operate in a more commercially based environment in which initiative could more directly be translated into results. The proposed framework document is at an advanced stage and has been circulated to OMCS and Treasury and to the Trade Union Side. The target date for commencement is April 1990 although this has yet to be publicly announced.	

Subject	Content	Visual Aid
Home Office Procurement		
	- In 1986 I said that we would focus our VFM efforts on Home Office procurement costs and we have continued to do so over the past three years. We have made progress in exceeding our savings targets over last three years showing a handsome excess of aggregate savings of £75.7 million or 6.3% of the total spend (£1188 millions) over the aggregate target of 5.5%. **Efforts in this area will continue.**	**25. Procurement targets and Savings** **(1986-1989)**
	- Examples of where these savings have been made include: Capital Works Redevelopment of the Prison Estate: Improved specification and procurement process and negotiations of contractors claims/cost avoidance produced £5.5 million savings in 1988/89 Telecommunication Equipment/Supplies Post-tender negotiations/cost avoidance on suppliers and reductions in stockholding on spares and equipment has produced savings of £6 million since 1985. Services: Maintenance of Computer and Telecommunication Systems Improved specifications, use of central contacts and post tender negotiations with suppliers have produced £2 million savings since 1986. Supplies: Food, Woods/Metals and Clothing/equipment Improved specifications, market knowledge, use of central contacts and post-tender negotiations have produced £2.3 million savings since 1986.	

Subject	Content	Visual Aid

OTHER BRIEFING

Home Office Scrutinies

- Home Office Scrutiny Programme continues to identify VFM efficiency improvements

- We have carried out 21 since 1979 with savings of around £12 million identified.

- Ongoing and planned scrutinies include the Voluntary Sector funding Scrutiny, Magistrates Courts which has just reported and the Prison Medical Services Scrutiny due to start in the autumn.

Immigration and Nationality Department

- Immigration and nationality Department will cost around £86 million in 1989/90 — 26. IND Expenditure

- It is heavily manpower intensive with 3,626 staff accounting for more than half its total expenditure. — 27. Manpower

- Immigration workloads continue to climb with a estimated 50.9 million passengers arriving in the UK in 1989/90.

- After entry casework is expected to be around 224K

- Citizenship and nationality casework is expected to remain constant.

Subject	Content	Visual Aids
(Immigration and Nationality Department continued)	- Progress has been made toward improving customer service with a 5% increase in the number of cases dealt with in the Public Enquiry Bureau and a 103% increase in cases handled by the Telephone Enquiry Bureau. 85% of cases handled by PEO are resolved there and 97% in TEB.	
	- Progress has also been made in reducing the backlog of casework with almost all caseworking groups achieving their VFM targets in 1989. Out 31 caseworking groups only 2 report any unactioned case older than 9 months (this has fallen from 15 months). Arrears have fallen from 45,808 to 38,893 at the end of April 1989.	
	- Reducing the Nationality backlog was not achieved because of 15.6 % under-staffing.	
	- Substantial efficiency improvements of £900K (1.8%) have been achieved in Immigration Service on-entry control costs. This has already been deducted from PES.	28. IS Efficiency Gains
	- IND key targets are	29. Key Targets
Fire Service		
	- Central control over Fire Service expenditure has decreased since our direct control over FCDA manpower and their precepts on local authorities expired in April 1989.	
	- Countering this becomes part of our general strategy for promoting VFM in the Fire Service.	
	- We are pursuing this through rigorous annual inspections of brigades by HMIFS and through persuading fire service interests to review the critical issues on pay and conditions of service identified by the Audit Commission.	
	- Additionally a Home Office chaired working party is studying a variety of other VFM issues and is expected to report shortly.	

Subject	Content	Visual Aids
Next Steps	- Methodical Home Office response - Office wide review by the PFO - Range of candidates identified including IND, Police Training Establishments, Civil Defence and the Police Department Science and Technology Group. - Work on these is continuing.	

MANAGEMENT IN CONFIDENCE

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MR. KEMP,
CABINET OFFICE.

NEXT STEPS : THIRD REPORT

The Prime Minister has seen your third report as Project Manager and has noted it with satisfaction. She very much agrees with the requirements for success of this initiative which you identified in your paragraph 5.

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 Robin Butler and Sir Angus Fraser.

AT

ANDREW TURNBULL

24 July 1989

Prime Minister
Content to endorse this report and to endorse points in para 5?

Yes no

AT 21(1)

CABINET OFFICE
A 8224.
21 JUL 1989
FILING INSTRUCTIONS
FILE No. .....

MANAGEMENT IN CONFIDENCE

FROM: E P KEMP
DATE: 21 July 1989

I commend this report and hope that the Prime Minister will agree that the Minister of State, Privy Council office, should answer an inspired PQ in the terms attached on Wednesday 25 July.

FERB
21.7.

1. SIR ROBIN BUTLER
2. MR TURNBULL

c- Sir R Butler

NEXT STEPS

I attach my third Report as Project Manager.

2. Since the Prime Minister's announcement of 18 February last year we have:

- established 8 Executive Agencies and announced as candidates over 30 more activities, covering around a third of the Civil Service;

- seen early indications of the improvements in efficiency and quality of service from the first Agencies, and started to develop ways of evaluating the project overall;

- put in place, with the help of Treasury and others improved arrangements for Agencies in areas of financial arrangements, recruitment and pay and personnel flexibilities, accountability and training; and laid the foundations for developing more;

- maintained and encouraged the supportive interest and awareness there is in Next Steps, both in this country and abroad.

3. Over the next 6 months I intend amongst other things to:

- continue work on the setting up of Agencies from among the candidates named and elsewhere. I expect there to be 20 or more set up by this time next year.

- continue the examination with Departments of all their activities, especially in areas where difficulties seem to be seen and in the minority of Departments which have yet to produce an Agency candidate.

- continue to press ahead with across the board issues, including more delegation, developing the relationship between departments and Agencies, and the setting of improved performance targets;

- develop a programme for evaluating the benefits of the initiative, so as to measure and appraise the changes coming through.

4. The initiative is going well. It is seen as in tune with developments elsewhere, and as offering real prospects for improved management with consequential benefits for taxpayers, customers and staff.

5. Some important ingredients of success still require careful attention and effort. These include the need for the centres of Departments to change their habits and substitute strategic management for detailed day-to-day "hands on" control; the need to make sure that the right people are found whether from outside or inside the Civil Service, and appointed as Chief Executives; the need for Departments and Agencies to use to the full the managerial freedoms and incentives they are getting and to delegate to the maximum possible extent the operation of these to local management; and, most importantly, the need never to sit back, but to use newly launched Agencies and their Framework Documents as a spring board to constantly press for further improvement.

6. I conclude that the initiative is thus well launched, but that a good deal of continuing hard work is needed on the part of all in order for it to realise its full potential.

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

8. 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 KEMP

NEXT STEPS

DRAFT WRITTEN QUESTION

To ask the Minister for the Civil Service how the Next Steps initiative is progressing and if he will make a statement.

DRAFT WRITTEN ANSWER

The Next Steps initiative is taking firm root. There are now 8 Agencies set up and the Project Manager expects that by this time next year there will be 20 or more established. Over 30 areas of Government activity covering around one third of the Civil Service, have been announced as candidates for Agency status. These are all listed. The candidates include the Social Security Operations, which my rt hon Friend the Secretary of State for Social Security announced in May that he intended to set up as 2 or 3 Agencies covering virtually the whole of his Department. There is more to come: work is progressing in a number of other important areas of Government.

In support of this, a good deal of other work has been completed or is in hand, including work on accountability, appointment of Chief Executives, pay and personnel and recruitment flexibilities, financial regimes and delegation generally.

The aim of Next Steps is better value for money and better service to the public. Accordingly Agencies set up are being given performance targets and objectives in these areas. The first Agency is not yet a year old, but the signs are that targets will be achieved, and meanwhile that the move to Agency status has as expected released energies and enthusiasms of staff to tackle their tasks differently and better. I look to this to develop and progress. The success of Next Steps will be measured not simply by the number of Agencies set up, but in the improvements in performance, for the benefit of taxpayers, customers and staff, that are expected to result. I am setting arrangements in hand to evaluate this.

Next Steps has attracted considerable public interest and indeed general support, both at home and abroad. This House too has taken a close interest, and in the last 6 months both the Public Accounts Committee and the Treasury and Civil Service Committee have carried out their own enquiries. The Government welcome this interest and will be replying to their very recently published reports in due course.

EXECUTIVE AGENCIES ESTABLISHED AT 31 JULY 1989

[ ] Date of launch

EXECUTIVE AGENCIES		Approx staff numbers
Vehicle Inspectorate (DTp)	[1.8.88]	1,600
Companies House (DTI)	[3.10.88]	1,100
Her Majesty's Stationery Office	[14.12.88]	3,000
National Weights and Measures Laboratory (DTI)	[18.4.89]	50
Warren Spring Laboratory	[20.4.89]	300
Resettlement Units (DSS)	[24.5.89]	600
Civil Service College (OMCS)	[6.6.89]	200
QEII Conference Centre (PSA)	[6.7.89]	60
8 in number		7,000

THE FIGURES USED ARE BASED ON TARGET STAFF NUMBERS FOR 1.4.88. THEY MAY DIFFER FROM CURRENT STAFF IN POST OR PROJECTED FIGURES FOR AGENCIES WHEN LAUNCHED. WORK IS IN HAND IN REBASING THE FIGURES

EXECUTIVE AGENCY CANDIDATES ANNOUNCED AT 31 JULY 1989

These are activities publicly announced as under consideration for Agency status. Their progress towards Agency status varies, with some at a more advanced and certain stage than others.

Building Research Establishment (DOE)	700
Central Statistical Office	1,100
Central Office of Information	850
Central Veterinary Laboratory (MAFF)	500
Civil Service Commission Recruitment Service (OMCS)	300
Civil Service Occupational Health Service (OMCS)	150
Crown Suppliers Fuel Branch (PSA)	30
Defence non-Nuclear Research Establishments (MOD)	12,000
Department of the Registers of Scotland (SO)	900
Driver and Vehicle Licensing Directorate (DTp)	5,400
Driver Testing and Training (DTp)	2,000
Employment Service (DE)	41,000
Forensic Science Service (HO)	600
Historic Buildings and Monuments Directorate (SO)	650
Historic Royal Palaces (DOE)	300
Intervention Board for Agricultural Produce	1,000
Insolvency Service (DTI)	1,500
Laboratory of the Government Chemist (DTI)	350
Land Registry	8,250
Meterological Office (MOD)	2,500
National Physical Laboratory (DTI)	850
Passport Department (HO)	1,000
Patent Office (DTI)	1,100
Planning Inspectorate (DOE)	500
Radiocommunications Division (DTI)	500
Royal Parks (DOE)	600
Social Security IT Services Agency (DSS)	3,000
Social Security Benefits Agency (DSS)	84,000
Training Agency (DE)	12,000
Vehicle Component Approval (DTp)	70
Veterinary Medicines Directorate (MAFF)	70
Employment and Training Agency)	1,600
Social Security Operations) Northern Ireland Civil Service	4,300
Rating Division)	240

34 in number

See footnote to previous sheet for basis of staff numbers

MANAGEMENT IN CONFIDENCE

NEXT STEPS

PROJECT MANAGER'S SUMMER 1989 REPORT

Report Pages 1-5

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 Position on across the board issues

Annex 5 First 3 Agencies - Performance Targets

Annex 6 First 3 Agencies - Note on early progress

JULY 1989

MANAGEMENT IN CONFIDENCE

NEXT STEPS

PROJECT MANAGER'S SUMMER 1989 REPORT

Introduction

This is the third report that I have made since my appointment on 18 February 1988 as Project Manager for the Next Steps initiative. My remit is the statement made by the Prime Minister on that day, included at Annex 1.

Progress so far

2. So far we have established 8 Executive Agencies (about 7,000 staff) with some 34 more candidates (about 200,000 staff) under examination, and more to come. Announced candidates include some of the biggest and most important areas of Government: two (or possibly three) Agencies that will cover virtually the whole of DSS operations, and the Defence Research Agency. Most of the major departments now have Agency candidates although there are still a few which have not. In addition we have made good progress with Inland Revenue and Customs and Excise, and also with the Ministry of Defence; there is agreement that the Next Steps ideas and techniques can usefully be applied to these departments and we are now exploring with them how this will be done. All this confirms that Next Steps is widely seen as having the potential to deliver real improvements in efficiency and quality of service, and reinforces my personal view that eventually some three quarters of all Civil Service activities could be operated in this way. Annexes 2 and 3 set out the points in detail.

3. We have also made progress in the last 6 months in developing the tools Agencies need to enable them to become more effective and in encouraging the process of setting them up. There is still a long way to go but there has been positive movement in almost every area: finance, accountability, pay, recruitment and on training and management development and personnel. A summary is set out in Annex 4.

Improved performance

4. But what matters is delivery. The object of Next Steps is to improve Civil Service management to give better value for money for the benefit of taxpayers, customers, and staff. Accordingly a great deal of effort is going into setting new Agencies tight performance targets, both financial and non-financial and identifies reliable performance indicators. The performance targets for the first three Agencies are given at Annex 5.

5. We are now beginning to see Agencies at work. The first is nearly a year old, and the second and third are both into the second 6 months of their operations. Their departments tell us that services to customers are being extended and improved, and that better value for money is being obtained by operating more flexible arrangements. Annex 6 sets out some comments they have given us.

6. It is crucially important that the initiative delivers change and improvement. We are working with the Treasury and departments to evaluate that. We will be looking at the initiative as a whole as well as ensuring that arrangements are put in place for reviewing the achievements of individual Agencies.

Points to watch

7. After 18 months, the Next Steps initiative has taken firm root and the early momentum is being maintained. But this should not obscure the fact that more needs to be done, and that certain areas need special effort and attention from departments, ourselves and the Treasury. In particular:

Departments' roles

- the centres of departments have a new role to play in relation to Agencies, which calls for a culture change as dramatic as that in the Agencies themselves. Their task is twofold: as 'owners' they must find ways of directing and controlling without double guessing and inhibiting the freedom to manage; while as intelligent customers, they will have to adopt more of a 'contract managers' approach.

Chief Executives

- appointing the right people as Chief Executives and other key staff in Agencies is crucial. Open competition should be considered in each case and this post should be advertised at salary rates which reflect the actual responsibilities and duties and the realities of the labour market;

Delegation

- managers must make the fullest possible use of the various freedoms and incentives being developed (see Annex C) so as to deliver the maximum improvements in performance. The Prime Minister has emphasised this point more than once and it was repeated recently in a notable speech by the Chief Secretary. That means that not only the central departments but just as importantly, the centres of departments must actively delegate freedoms and discretions as to the lowest possible effective level.

Further development

- Agencies as set up and their framework documents must be treated as starting points for further energetic development in the search for even greater improvement, rather than final destinations. I see as my task as Project Manager to encourage this.

Target dates

8. Finally, there remains what must be our most important current activity, the actual establishment of Agencies. The National Audit Office recently reported that departments had made good initial progress in

identifying services and functions for Agency status, although variations in the pace of change. They commented favourably on the way in which the Project Team had set about its task but they noted that some of the Agencies had not been launched on their due dates, although they endorsed the reason for this - that Agencies must be set up properly rather than on an unsound or unprepared basis. Nevertheless, setting and sticking to target dates is important. One way of helping to achieve this is to draw up an individual action plan charting the route to the Agency launch, with important milestones - and ways of reaching them - clearly identified. From now on, I shall be asking departments to prepare and agree with ourselves and the Treasury such plans for each of their Agency candidates.

Work plans for the next 6 months

9. Against this background, my work programme over the next 6 months will include:

- bringing the currently announced Agency candidates to launch, particularly those which have moved relatively slowly to date. I have told the TCSC and the PAC that I expect to have at least 20 Agencies established by this time next year;

- bringing forward the announcement as Agency candidates of activities currently identified only internally; and reviewing or re-reviewing the rest of departments' activities, particularly in those departments which have not yet announced a candidate at all;

- making more progress on across the board issues referred to in Annex C and encouraging the maximum practicable use of delegations and flexibilities; exploring and developing with departments their roles as 'owners' and 'customers' of Agencies;

- helping departments and Agencies to set improved financial and non-financial targets;

- engaging participants in Next Steps in ways of evaluating what they and it have achieved overall.

10. In addition, while my efforts will continue to be concentrated on implementing Next Steps in the Civil Service, we have begun to look at whether the message applies to the wider public sector. In part this is a response to managers there who see the Next Steps approach as something they can profitably adapt to their own circumstances. We are examining this with the Treasury.

Conclusion

11. I have set out in previous reports my view that the future Civil Service will be increasingly operated as semi-autonomous units, structured to do specific jobs of work under individually tasked and appointed Chief Executives. It must be fit for the tasks of the 1990s and beyond, and in tune with the working environment in which it will have to operate. Next Steps is proving to be a catalyst for the changes needed to bring this about.

E P KEMP
NEXT STEPS PROJECT MANAGER
JULY 1989

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 mee 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 AT 31 JULY 1989

[ ] Date of launch

EXECUTIVE AGENCIES		Approx staff numbers
Vehicle Inspectorate (DTp)	[1.8.88]	1,600
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Civil Service Commission Recruitment Service (OMCS)	300
Civil Service Occupational Health Service (OMCS)	150
Crown Suppliers Fuel Branch (PSA)	30
Defence non-Nuclear Research Establishments (MOD)	12,000
Department of the Registers of Scotland (SO)	900
Driver and Vehicle Licensing Directorate (DTp)	5,400
Driver Testing and Training (DTp)	2,000
Employment Service (DE)	41,000
Forensic Science Service (HO)	600
Historic Buildings and Monuments Directorate (SO)	650
Historic Royal Palaces (DOE)	300
Intervention Board for Agricultural Produce	1,000
Insolvency Service (DTI)	1,500
Laboratory of the Government Chemist (DTI)	350
Land Registry	8,250
Meterological Office (MOD)	2,500
National Physical Laboratory (DTI)	850
Passport Department (HO)	1,000
Patent Office (DTI)	1,100
Planning Inspectorate (DOE)	500
Radiocommunications Division (DTI)	500
Royal Parks (DOE)	600
Social Security IT Services Agency (DSS)	3,000
Social Security Benefits Agency (DSS)	84,000
Training Agency (DE)	12,000
Vehicle Component Approval (DTp)	70
Veterinary Medicines Directorate (MAFF)	70
Employment and Training Agency)	1,600
Social Security Operations) Northern Ireland Civil Service	4,300
Rating Division)	240

34 in number

See footnote to previous sheet for basis of staff numbers

ANNEX 3

OVERALL TOTALS

Set up	Agencies	8	
	Numbers	7,000	
Announced Candidates			
	Agencies (1)	31	(+ 3 Northern Ireland Civil Service)
	Numbers	183,000	
Under consideration (2)			
	Agencies	43	
	Numbers	54,000	
Project Manager's appraisal (3)			
	Agencies	64	
	Numbers	227,000	

Total possibilities as % of total Home Civil Service 79%

Notes

1. Precise numbers depend on whether more than one Agency is formed from any given area of work

2. Further activities identified, under consideration at varying stages within Departments

3. Further activities identified, not necessarily accepted by Departments

4. The figures used in this table are based on target staff numbers for 1.4.88. They may differ from current staff in post or projected figures for Agencies when launched. Work is in hand in rebasing the figures.

ANNEX 4

Across the Board Matters

Together with the Treasury we have put in place or designed several important pieces of machinery and developments of existing arrangements to give departments and Agencies the tools they need to do the job. This process is ongoing. At this stage, some of the important features are:

Financial and Accountability

- the Treasury will publish a White Paper to accompany next Session's Bill to increase the range of financial arrangements available to Executive Agencies by extending the scope of the Government Trading Funds Act 1973;

- the White Paper will set this in the wider context of the various financial regimes for Agencies and including recent and proposed developments in the running cost regime and describe best practice in reporting and accounting arrangements for Agencies;

- the first Agency Accounting Officers have now been appointed, following the decisions announced in November last year to clarify the accountability of Agency Chief Executives. About half of Chief Executives and Chief Executives designate so far identified have been or will be appointed following open competition;

Pay and Personnel

- the new pay agreements with the CPSA and NUCPS specifically provide for Agencies to make alternative arrangements outside those agreements if they do not suit;

- in order to help them formulate their Agency pay proposals the Treasury have given departments information as well as guidance on group performance bonus schemes available to Executive Agencies;

- a note has also been circulated about the pay flexibilities and delegations currently available to them, which indicates an intention to reduce the requirement for central departments approval wherever possible;

- on allowances etc more generally the Treasury are taking a hard look at the whole range and scope of the controls for which they are responsible in the personnel management area with the aim of delegating discretion to departments to the maximum extent practicable.

- the Minister of State Privy Council Office has announced that departments and Agencies will be very largely untied from the Civil Service Commission from April 1991.

- the arrangements for industrial relations in Agencies are increasingly and deliberately intended to leave it open to Chief Executives to make changes to existing structures and if necessary to introduce new arrangements if that is right for his particular operation.

Training and Communication

- work on the first round of the OMCS training action plan is now complete. Departments and Agencies are engaged in, or are in the final stages of, formal training reviews. Many have committed themselves to the Management Charter Initiative Code of Practice.

- more generally, a change of attitude is being encouraged through a communications programme which includes conferences, a well researched video, publications etc.

Privatisation

- the relationship between Next Steps and the Government's policy on privatisation has been clarified by the Prime Minister's statement in October last year that privatisation and contracting-out must be considered positively before an activity is set up as an Agency and Agencies like any other activity will continue to be subject to such consideration thereafter.

ANNEX 5

PERFORMANCE TARGETS FOR AGENCIES *

The Vehicle Inspectorate

Functions: To conduct statutory annual tests on Heavy Goods Vehicles and Public service Vehicles; to supervise the MoT car testing scheme; for carrying out spot roadworthiness checks on HGVs and PSVs; and for a variety of other road safety functions.

Launched: 1 August 1988 **Staff:** 1,600

Targets: To improve overall cost efficiency in its three main activities by 3.7% between 1 April 1989 and 31 March 1991

Performance Indicators :

- work units per vehicle examiner
- cost per standard hour for the HGV annual test
- cost per standard hour for the PSV annual test
- number of HGV inspection visits
- number of PSV inspection visits
- number of MoT garage visits
- ability to meet customers preferred date for testing
- turnaround times in meeting requests for the inspection of HGV and PSV operators' premises
- turnaround times handling MoT appeals

Companies House

Function: The maintenance of the companies register, processing of information on companies and retention and dissemination of the information.

Launched: 3 October 1988 **Staff:** 1,100

Targets

- a 10% reduction in the proportion of companies which have not filed accounts and annual returns required by the Companies Act so that by June 1991 the compliance rate will be increased to 83%.

* As summarised in appendices 6 to 8 of NAO report "The Next Steps Initiative"

- a 20% reduction in the time taken to process documents, so that by April 1991 documents are on average available to the public within 18 working days of being delivered to Companies House.

- a 12% increase by April 1991 in output per member of staff

- a 7% decrease by April 1991 in unit costs in real terms

Performance Indicators:

- workload levels
- aggregate unit costs
- unit costs for key activities
- aggregate productivity index
- output per man year for key activities

HMSO

Function: Printing and publishing for Government departments, the supply of stationery and office machinery for the public service and the sale of public service and international organisations

Launched: 14 December 1988 **Staff:** 3,200

Targets

- to achieve for the 1989 financial year a profit after interest in current cost terms of £1.7 million

- to achieve for the same year value for money savings ranging from 8% for paper and stationery to 11.5% for office machinery

Performance Indicators:

- % of jobs delivered to time
- % of jobs delivered without fault
- response time to customers' orders

ANNEX 6

EARLY PROGRESS BY THE FIRST THREE EXECUTIVE AGENCIES

VEHICLE INSPECTORATE

The Vehicle Inspectorate was the first Agency, established 12 months ago. Agency status has spurred a number of management changes and initiatives. On the personnel side there is greater delegation to local management, a new local grade of Assistant Vehicle Examiner is being introduced which will streamline working practices and reduce costs and a group incentive bonus scheme linked to the financial target is in the final stages of negotiation with the Treasury.

Initiatives have been introduced to provide a better service to customers and to enhance the utilisation of VIs assets and expertise by expanding the range of products offered. Shortly VI intends to introduce vehicle testing on Saturday mornings on a trial basis. As an aid to road safety a voluntary brake testing scheme is being trialled at nine testing stations. VI is running courses on a commercial basis at its training facility and offering for sale some of the technical manuals which it produces.

In the area of accountability VIs Chief Executive has been appointed Agency Accounting Officer and VI has published its annual business plan for 1989-90. The NAO has recently conducted a study, on a consultancy basis, of VIs accounting arrangements, and has reported favourably.

VI was established as an Agency part way through the financial year 1988-89, and its unit cost and performance targets for that year were set some time before its establishment. For the Inspectorate's 3 main testing schemes the unit costs overall for 1988-89 were on target. The main financial target set when VI became an Agency runs from 1 April 1989 to 31 March 1991; it is too early to report performance against that target.

COMPANIES HOUSE

Companies House expects to achieve the more stringent targets on productivity and unit costs set following its establishment as an Agency for 1989-90 and 1990-91. However, the DTIs principal concern following the establishment of Companies House as an Agency in October 1988 has been to match improvements sought in productivity and unit costs with improvements in the delivery of services to its customers.

With the encouragement of private sector members of the Companies House steering board targets have been agreed with the Treasury which aim for significant improvements to the quality of services during the next two years. In addition a number of new services have been or are being introduced. These include a premium search service to satisfy urgent search requests within 20 minutes: there has been a steady growth in demand for this since it was introduced in May. Arrangements have also been made to permit customers for non-statutory services to pay by credit card from 31 July and a courier delivery service in Central London guaranteeing next day delivery of searches will be launched on the same date.

Companies House has also exercised one of its new authorities to carry over up to 25 per cent of unspent capital expenditure from one financial year to another. The ability to carry over capital expenditure has helped to ensure that ADP development projects can proceed in a rational way. By the time a decision was taken to order new equipment for a mainframe computer, it was clear that it would have been disruptive to aim for delivery, installation and acceptance before the end of the 1988-89 financial year, in which the expenditure had originally been forecast to arise. A further benefit of the new flexibility was that it is also possible for the equipment acceptance trials to be more thorough than would have been possible under the previous financial regime because the balance of the cash payable on acceptance could be carried over into the current financial year.

HMSO

Following HMSOs launch as an Executive Agency on 14 December 1988, Treasury Ministers set HMSO a financial target for 1989 of achieving a current cost profit after interest of £1.7 million. This compares with a current cost profit after interest of £0.8 million actually achieved in 1987-88. Trading results for the first 6 months of 1989 are on course for meeting this more demanding target.

Treasury Ministers have also set more demanding performance targets for 1989, in terms of value for money, delivery service and product quality. In order to ensure continuing improvement in the quality of services offered to customers, HMSO has committed itself to a Total Quality Management programme, and appointed a Corporate Manager for TQM to support the development by line managers of Quality Improvement Plans.

Significant progress has been made in designing and agreeing with HMSOs Trade Union Side the analytical job evaluation system which will replace the traditional Civil Service pay and grading arrangements. Implementation is expected to commence later this year with the transfer of Directing staff to HMSOs new pay ladder.

Agreement has been reached with the Treasury on the range of professional qualifications for the achievement of which HMSO staff will receive cash bonuses.

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER

NEXT STEPS

The Next Steps Project Manager, Peter Kemp, has submitted to you his Summer Report, together with the draft of a progress report to be made to the House before the Recess. His covering note and the report speak for themselves. The Next Steps initiative is on course, and taking hold in a way which some people certainly did not believe could happen when it was first launched. Changes are being brought about and the results are beginning to come through.

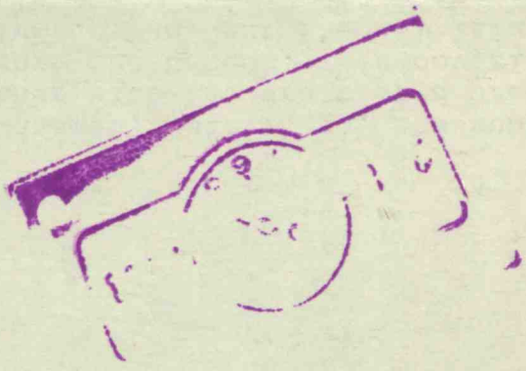
2. One ingredient in this success, and one we must carry on with, is whole hearted and conspicuous public support by Ministers. I think there is a good deal of this. I have hosted two dinners for junior Ministers and I have been impressed each time by the level of their knowledge and interest in the initiative, and their commitment to it. It is clearly seen as the way to raise the level of service to the public and deliver services more efficiently, and as something with which Ministers positively want to be associated. This can only be helpful in keeping up pressure on officials and Departments to help the Project Manager in carrying through the process of change.

3. The Report does not describe Departments' progress in detail, but I might just mention that I am pleased that the Cabinet Office is setting a good example. The Civil Service College was launched as an Agency on 6 June and is currently seeking a new Chief Executive through open competition. We have declared the recruitment functions of the Civil Service Commission as an Agency candidate and, in any case, Departments will be largely untied from having to use its services as from April 1991. The Occupational Health Service will hopefully become an Agency in the near future also, following its relocation to Edinburgh. When all this is carried through the great bulk of staff in the OMCS will be working in Agencies.

4. I am copying this to Sir Robin Butler and Peter Kemp.

Richard Luce

RICHARD LUCE
21 July 1989



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Govt Mach : Rayner
Pt 31

FILE DASAXS

cc MASTER.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

19 July 1989

Dear Colin

HOME OFFICE: VALUE FOR MONEY SEMINAR

The Prime Minister held a Value For Money Seminar on Home Office expenditure today. Present were the Home Secretary, Sir Clive Whitmore, Sir Robin Butler, Sir Angus Fraser and Mr Brereton (Efficiency Unit) and Miss Sinclair (No 10 Policy Unit).

The Home Secretary said that approximately three-quarters of Home Office expenditure was outside its direct control, the largest element being expenditure on the police. Other than in London, the Home Office did not control budgets, only manpower. The pressures for more spending were rising. In 1987/88 he had been able to approve 85 per cent of the bids for additional manpower compared with 40 per cent in the current year. Her Majesty's Inspector of Constabulary had devised eleven indicators for judging the needs of different forces. The emphasis was now on getting the maximum number of officers on patrol, a process which was helped by civilianisation.

The discussion then turned to measures of police efficiency. The aggregate clear-up rate had risen slightly though there were large variations between different forces. There had been a fall in total recorded crime, though crimes of violence were still rising. Various prevention initiatives such as Neighbourhood Watch and Safer Cities were linked with a reduction in preventable crimes. It was noted that suggestions for more effective policing tended to promote an immediate demand for more resources, yet the link between ever increasing expenditure and reducing criminal activity was not demonstrated by the figures. More use of CID skills might be one way of promoting more effective policing.

The Prime Minister expressed her concern about the quality of senior management in the police - a point she had made in her bilateral with the Home Secretary earlier in the week. Sir Clive Whitmore gave an account of the efforts being made to rectify this. While police forces did not react well to being compared directly with other forces they were

mem

prepared to pool best practice. The Department had set up a committee to improve value for money in the police.

The discussion then turned to prisons. The Home Secretary said the Fresh Start studies had shown that the system had become dependent on large amounts of voluntary overtime. The changes to reduce this had been introduced against a background of severe pressure of overcrowding which had made their acceptance more difficult, but results were now coming through. The prison population was currently falling slightly, possibly reflecting the use by Judges of alternative sentences. Nevertheless, the prison population remained substantially in excess of CNA, though the building programme was meant to eliminate this by 1992-93. Improvements were being sought in the efficiency of the building programme, for example, a 50 per cent reduction in construction time. Efforts were being made to increase private sector involvement and there were five or six consortia interested in design, build and manage projects. The Prime Minister commended the emphasis which was being placed on the integral sanitation programme. Increased capital and staff resources put into prisons should produce positive benefits in providing opportunities to increase education and training for prisoners.

The discussion then turned to the Probation Service. The enormous difference in the costs of administering Community Service Orders compared with non-custodial sentences was noted. The evidence that non-custodial sentences produced fewer re-offenders was inconclusive though the cost saving was clear. The Home Secretary said it was essential to increase the confidence of the public and the courts in non-custodial sentences, and to achieve this they were being made more rigorous. It was noted that many local authorities still obstructed employment of people under Community Service Orders, probably to protect their own direct labour organisations.

The Home Secretary said that the scrutiny on the Magistrates Courts was being published that day. This had shown that there were no clear mechanisms for ensuring efficiency within Magistrates Courts; indeed, the evidence from waiting times which had now reached nearly two months was that the service they provided was deteriorating. The key figures were Justices' Clerks who combined the role of administrator and adviser to the Magistrates on points of law. The evidence was that the former function was carried out poorly. The danger was that in seeking reform, the Government would be accused of centralising the administration of Magistrates Courts. The Prime Minister argued that this charge should be rebutted by making the distinction between the establishment of a national framework with targets for standards of service and the administration of justice which would continue to be at a local level. Good management of courts was essential in making effective use of resources and improving the standard of service to the public. Sir Clive Whitmore pointed out that most Magistrates were volunteers which made it difficult for Government to impose

changes upon them. Targets were being set for the Magistrates Courts, eg for waiting times. Over the next three years a 5 per cent improvement in performance was being sought. It was also proposed that there should be no increase in commitals to the Crown Court.

The discussion then turned to the Passport Office. The Home Secretary said that this did not impose a cost on the taxpayer; indeed a surplus was generated which met the cost of providing the consular service. Nevertheless, there was great cause for concern as the standard of service being provided was extremely unsatisfactory. Studies were in hand for the establishment of the Passport Office as an executive agency and for the contractorisation of routine processing (approximately 10 per cent of cases were more complex and these would have to remain with central Government).

Sir Clive Whitmore reported on the industrial relations problems of bringing about major changes. Any reforms would have to be announced before alternative mechanisms could be put in place. In addition, the fact that civil servants worked for a single employer - The Crown - increased the scope of secondary action.

The Prime Minister said that more needed to be done to establish the value obtained from the extra resources committed across the whole range of Home Office activities. This meant a strong emphasis on good management at every level whether the services were administered directly or through local authorities. Where radical measures were required, for example on the Passport Office, they must be identified and pressed through. She argued that the reform of the Magistrates Courts should be presented carefully in order to avoid the charge of centralisation and to emphasise the Government's desire for a better service to the public.

I am copying this letter to Sir Robin Butler, Sir Angus Fraser and Carys Evans (Chief Secretary's Office).

Yours sincerely

Andrew Turnbull

ANDREW TURNBULL

Colin Walters, Esq.
Home Office

cst.ps/7jm19.7/mins

CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 19 July 1989

PRIME MINISTER

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS AND COMPETITION

I support the thrust of the proposals for improving the commissioning and management of government research made in John Fairclough's minute to you of 12 July.

2 Creating arms-length relationships between research establishments and their parent departments, and then, wherever possible, market-testing research requirements inside and outside Government should prove valuable disciplines in both civil and defence research; and the process of considering research establishments as Next Steps Agency candidates should help to identify the changes necessary in individual cases. It would also be desirable to see how the more competitive environment for Government research establishments could be extended to Research Council laboratories and those in universities.

3 I agree, too, that John Fairclough should monitor the implementation of this policy across the board and in individual cases.

4 I am sending copies of this minute to other members of E(ST), Douglas Hurd, Norman Fowler, Tom King, Malcolm Rifkind and Chris Patten, and to Sir Robin Butler and John Fairclough.

JOHN MAJOR

Sci & Tech. Science Budget

19 JUL 1988

Pr 9

cst.ps/4jm19.7/lets

UNCLASSIFIED

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Richard Luce MP
Minster of State
Privy Council Office
Horse Guards Road
London
SW1P 3AL

19th July 1989

Dear Richard,

NEXT STEPS AGENCIES: AMENDMENT OF GOVERNMENT TRADING FUNDS ACT 1973

Following colleagues' agreement in principle to the proposals in my minute of 20 December to the Prime Minister, QL agreed a place for the necessary legislation in the 1989-90 programme. Further work and consultation has been continued at official level. I am pleased to say that no problems of substance have arisen, and that the basis on which the Bill will be prepared is now clear.

As I indicated in my minute of 20 December, legislation is needed basically because the 1973 Act is limited to bodies which are 'trading' in a legal sense. This covers bodies trading at arms-length in genuine internal or external markets: I am advised that it would cover, for example, government research establishments contracting for work with their parent or other departments on a genuinely competitive and arms-length relationship. But it currently excludes bodies, such as the Vehicle Inspectorate and Companies House, which are directed by status to provide services, and whose fees are fixed under statutory powers.

Colleagues were concerned that the new powers should not be too narrowly drawn. The proposals on which my officials have consulted would create enabling powers in respect of the bodies currently excluded, and also for bodies combining these and trading activities. You and other colleagues also asked that the new powers should not exclude the creation of a fund where for example, a body relies for most of its income on trading but nevertheless receives some central support from its parent department. I confirm that the Bill instructions cover this situation.

Cont Mach - Rayner UNCLASSIFIED PT 51

Colleagues also expressed some concern about my proposal that agencies should generally borrow from Votes rather than the National Loans Fund, and suggested further consultation between officials. This has now taken place and no objections of principle remain: however I intend that the powers should be structured so as to allow discretion in any individual case.

To assist the handling of the Bill, I shall produce a White Paper. This will explain the purpose of the Bill and some of its more technical aspects, as well as setting it in the context of the financial regimes available for agencies generally, and describing the stringent reporting and accountability arrangements that we are setting up.

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

Yours Ever,

John

JOHN MAJOR

19 JUL 1989

PRIME MINISTER 18 July 1989

HOME OFFICE VALUE FOR MONEY SEMINAR - 19 JULY 1989

1. Angus Fraser's brief says that in recent years the Home Office have taken "an increasingly purposeful approach to performance assessment and review".

2. This may be so. But the Home Office still does not appear to be very cost-conscious. It has no management plan. It does not have a good record of achieving better value for money in the services for which it has financial responsibility.

3. A succession of recent reports by the Audit Commission and the National Audit Office, as well as internal scrutinies, point to considerable inefficiencies in the police, the probation service and magistrates' courts. The Home Office is not directly responsible for administering these services. This is no doubt a constraint on its ability to secure better value for money. But there is a strong suspicion that the Home Office have been slow in pressing for better financial management in local authority services.

4. Prisons, immigration and the passport office are directly run by the Home Office. Fresh Start is tackling some of the worst inefficiencies in prison manning. But it has been bedevilled by industrial relations problems, as has the Passport Office. Management in these areas sometimes appears under siege rather than in control.

5. The large areas of Home Office expenditure are:

- police (£4 billion)
- prisons (£1 billion)
- fire service (£840 million)
- probation service (£260 million)
- magistrates' courts (£200 million)

The following points could be put to Douglas Hurd:

Police

- The Audit Commission are developing standard techniques for measuring performance across police forces. Their work on administrative support, finger-printing services and vehicle fleet management has shown very large variations in performance.

- What steps are needed to deliver the savings in police expenditure identified by the Audit Commission? What will the Home Office do to achieve these?

- A joint Home Office/Treasury working group found considerable variation in workload per officer across different forces. How can this evidence be used to redeploy manpower more efficiently? (NB: the Home Secretary has no powers to impose redeployment.)

Prisons

- The Government is committed to an ambitious prison building programme. On average, each place in a new prison will cost around £80,000.

- The prison staff/prisoner ratio is currently around 2½:1. With all these staff, and all this money, what can be done to make it less likely that prison simply reinforces criminal tendencies?

- Can the private sector do a better job in some cases?

Fire Service

- Audit Commission judge the fire service to be well managed within existing constraints (eg national wage bargaining). But it is expensive - about double the cost in some Continental countries.

- Is Douglas Hurd looking at ways of reducing the cost of the fire service? Should more be done to encourage fire prevention, eg through the use of sprinklers and smoke detectors (the UK lags behind other countries in this area)?

Probation Service

- The Probation Service has expanded its activities substantially over the past decade. But most effort has gone on looking after offenders who would otherwise have been fined.

- The result for the Exchequer is bleak. More probation officers have had little or no effect on the numbers going to prison.

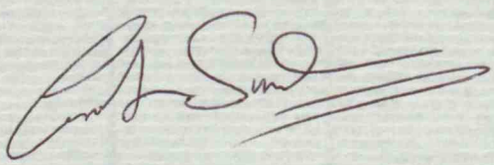
- Expenditure in this area should be largely targetted on alternatives to custody. Is the probation service capable of running alternative sentences which would have the confidence of the Courts?

Magistrates' Courts

- Recent scrutiny of Magistrates' Courts concluded that "it would be difficult to think of any resource arrangements less likely to deliver value for money than the present one".

- Scrutiny recommends a national structure 100 per cent (instead of the present 80) funded by central government and run by an executive agency.

- How will Douglas Hurd respond? If a national structure is too contentious, are there other ways of reducing the glaring inefficiencies revealed by the scrutiny report?



CAROLYN SINCLAIR

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PRIME MINISTER

HOME OFFICE VALUE FOR MONEY SEMINAR - 19 JULY 1989

BACKGROUND

1. This will be the third seminar you have held on value for money in the Home Office, the second with Douglas Hurd. A note of the previous meeting in June 1986 is attached. Douglas Hurd and Clive Whitmore will attend.

2. Home Office expenditure is about £6.9bn, of which about £4bn goes on the police and over £1bn on the prisons. Running costs are about £900m. There are 43,000 staff, three-quarters of whom work in the prison service. The prison service is funded and managed directly by the Home Office; the police, probation and fire services are funded through the local authorities. There has been rapid growth in activity in many areas of Home Office business, as shown in Table I of the key facts and figures brief at Annex A.

3. In recent years, the Home Office have taken an increasingly purposeful approach to performance assessment and review, and some acknowledgement of this from you would be valuable. Better focused targets are now set in all areas. Forward planning for policy development and resource allocation has been streamlined, although my impression from a recent discussion with Douglas Hurd and Clive Whitmore is that the strategic framework has some considerable way to go, particularly for the services funded through local authorities. It seems to me that a major management issue for the Home Office is how best to ensure that these services give good value for money.

SCRUTINY PROGRAMME

4. The Home Office has a good record of scrutinies on substantial topics, although implementation has not always been vigorously carried forward. Ongoing activity on scrutiny reports includes the recent White Paper on Charities, which includes many of the reforms recommended by the Woodfield scrutiny. You have recently taken a personal interest in the implementation of the 1988 report on Section 11 grants and will be chairing a meeting on 27 July. This year's programme is particularly strong with two major topics being examined: the scrutiny of magistrates' courts, which has just reported, and the scrutiny of the voluntary sector, which is due to report in September. The next candidate is likely to be the prison medical service.

HANDLING

5. I understand that in his presentation, the Home Secretary will seek to demonstrate the achievement so far in improving value for money and will focus on his plans for further improvements in six priority areas: police, prisons, probation, magistrates' courts, passports and immigration. He will need to show how the targets set relate to his strategic aims and to indicate what results he is looking for in the longer term.

6. I suggest that you need not aim to cover all the priority areas in depth in the seminar. It may be more helpful to concentrate on management and value for money issues in the following key areas:

the prison service (with a side-glance at probation)
the police
magistrates' courts
passport office.

You may wish to set the agenda at the outset. The rest of this brief suggests some points to raise in each of these areas - Annex B lists all the questions suggested.

PRISONS

7. Despite considerable progress in improving management systems within the prison service, a number of the value for money targets set over the past few years have not been achieved - for example, a 1988 target to civilianise 350 posts was underachieved by 250 because of industrial action. Also in 1988 a 1% reduction in operating costs per inmate was achieved against a target of 2.5% because of a failure to predict a slower rate of growth in the prison population.

Points to raise:

a. What is being done to promote greater attention to performance in the prison service?
b. The targets set measure activity and productivity. What are the targeted results - eg prison places available, better take up and use of education and training facilities and, ultimately, fewer repeat offences inside and outside prison?
c. Are the value for money objectives of Fresh Start - for example the more efficient use of lower graded officers - being met?
d. The probation service was the subject of a recent NAO report which showed that too little attention had been given to the results achieved from different patterns of supervision. The Association of Probation Officers have published their own study this week claiming unnecessary costs of £12m per annum through delays in processing applications. Are revised service objectives and tough targets being set in these areas?

POLICE

8. The Home Secretary has been conducting an efficiency drive in the police force, of which the scrutiny programme forms part. This has got off to a good start, with around 30 scrutinies on a wide range of topics in the pipeline. A key issue remains the efficient use of manpower. (From the public's point of view the main performance indicator is success in dealing with crime and it has recently been reported that in the Metropolitan Police area 70% of crimes are "screened out" for investigation ie the police concentrate on the 30% most likely to be solved.)

Points to raise:

a. What progress has been made in measuring the efficiency and effectiveness of the police?
b. What results do you hope to see in terms of improved performance in areas such as civilianisation?
c. Is there scope for the Home Office to do more to encourage Chief Constables to set targets and track progress by using comparative indicators of success in areas like the prevention and detection of crime? For example, wide differences are reported between regions in measures such as the proportion of reported crimes leading to

convictions. Are these differences tested against manpower provision, different policing methods and local management arrangements?

MAGISTRATES COURTS

9. The seminar provides a valuable opportunity to open up with the Home Secretary the question of the management of magistrates' courts. The central recommendation of the scrutiny report is that an executive agency should be set up to provide:

a. clear lines of accountability and financial control and

b. a coherent management structure to achieve more uniform standards of service and better value for money from the local administration.

The report argues that the present arrangements for funding and managing magistrates' courts do not deliver value for money and require radical reform. The agency proposal is intended to provide better management whilst avoiding day-to-day interference from the Home Office and thus safeguarding the principle of local lay justice. The Home Secretary understandably wants to avoid charges of over-centralisation and his Department has so far taken a cautious approach to the outcome of the scrutiny, indicating that the usual 2-year timescale for action is unlikely to be met. Whether or not an agency is the right solution, it seems to me that action is urgently needed to remedy the inefficiencies and waste of staff potential identified in the report. It would be helpful for you to ask the Home Secretary how he intends to take this forward.

PASSPORT OFFICE

10. The highly visible failures of this office have understandably attracted a good deal of public criticism. The Home Secretary has undertaken to examine urgently ways of ensuring long term improvements including options to contract out work. There appear to be many unresolved issues and, consequently, there is no clear timetable for action.

Points to raise:

a. What is the timetable for mounting and completing the proposed study?
b. Will anything have been done before business builds up again around the turn of the year?
c. Are there any short term measures worth considering such as ensuring a much more visible and active management role in the public areas where the queues start to form?

NEXT STEPS

11. The Passport Department remains the front-runner agency candidate, although contractorisation is now also being actively considered as a means of avoiding a repetition of the recent difficulties there. The prison service and the immigration department are other possible candidates. The Home Office needs to be encouraged to press on quickly with proposals for agencies.

OBJECTIVES

12. To summarise, I suggest that it would be extremely helpful if you used the seminar to emphasise the following:

a. the need to build on the introduction of performance targets into the arm's length services such as the police force and the probation service, so as to promote awareness of value for money right through the organisations;

b. the need to focus on results as well as activity, for example in terms of better provision or performance in the prison service;

c. the importance of an effective drive for change to achieve real progress, for example as a result of scrutinies.

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

ANGUS FRASER
17 July 1989

ANNEX A

HOME OFFICE

TABLE I

AREAS OF RAPID GROWTH

Prisons	Numbers of prisoners up by 20% (Staff up by 15%)	1983-89
Magistrates Courts	8% increase in complexity of cases	1983-89
Immigration	Passenger arrivals up by 34% (Staff up by 20%)	1983-89
Passports	Applications up by 22% (Staff up by 4% - 1984-89)	1983-89

TABLE II

EXPENDITURE PROGRAMMES	1987-88	1988-89	1989-90
Prisons	775	915	1140
Probation*	220	245	269
Police*	3414	3723	4014
Immigration	45	66	81
Passports	28	31	34
Fire*	783	818	847
Magistrates Courts*	175	194	207
Other Expenditure	262	303	307
TOTAL HOME OFFICE EXPENDITURE	5702	6304	6899
(* includes grants to local authorities	4709	5124	5465)
(LA grants as % of total	83%	81%	79%)

TABLE III

STAFF

HO Headquarters	9407	9525	10062
Prisons	28808	30980	32910
Probation	7269	7420	7517
Police Officers	123158	124596	125727
Civilians	46326	47740	49277
Magistrates Courts	9687	9865	10065
Fire Service	50960	50738	50738

TABLE IV

RUNNING COSTS

HO net running costs	749.9	800.6	897.0

ANNEX B

HOME OFFICE VALUE FOR MONEY SEMINAR - 19 JULY 1989:

List of questions suggested

General

1. Can more progress be made in performance targets for the arm's-length services such as police and the probation service to promote awareness of value for money?

2. How far do targets address results in terms of better provision or performance for example in the prison service?

3. Is the Home Secretary satisfied with the Home Office's commitment to achieving change for example in following up scrutiny reports?

PRISONS

a. What is being done to promote greater attention to performance in the prison service?

b. The targets set measure activity and productivity. What are the targeted results - eg prison places available, better take up and use of education and training facilities and ultimately fewer repeated offences inside and outside prison?

c. Are the value for money objectives of Fresh Start - for example a more efficient use of lower graded officers - being met?

d. The probation service was the subject of a recent NAO report which showed that too little attention had been given to the results achieved from different patterns of supervision. The Association of Probation Officers have published their own study this week claiming unnecessary costs of £12m per annum through delays in processing applications. Are revised service objectives and tough targets being set in these areas?

POLICE

a. What progress has been made in measuring the efficiency and effectiveness of the police?

b. What results do you hope to see in terms of improved performance in areas such as civilianisation?

c. Is there scope for the Home Office to do more to encourage Chief Constables to set targets and track progress by using comparative indicators of success in areas like the prevention and detection of crime? For example, wide differences are reported between regions in measures such as the proportion of reported crimes leading to convictions. Are these differences tested against manpower provision, different policing methods and local management arrangements?

MAGISTRATES COURTS

What is going to be done to remedy the inefficiencies and waste of staff identified in the recent scrutiny report?

PASSPORT OFFICE

a. What is the timetable for mounting and completing the proposed study?

b. Will anything have been done done before business builds up again around the turn of the year?

c. Are there are any short term measures worth considering such as ensuring a much more visible and active management role in the public areas where the queues start to form?

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THE DEPARTMENT OF TRANSPORT

FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3000

My Ref:

Your Ref:

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

18 JUL 1989

Dear Nigel,

RELATIONS WITH INDUSTRY AND COMMERCE

Thank you for sending me a copy of your letter to David Young about the Government's relations with industry and commerce. I attach the response for my Department to the review of the industry sponsorship role.

These returns show that over the last ten years very considerable progress has been made in sharpening our relations with the transport industry. Privatisation has, of course, been of fundamental importance - since 1979 the National Freight Corporation, the National Bus Company, British Airways, the Associated British Ports (formerly the British Transport Docks Board), the British Airports Authority and significant parts of British Rail have all been transferred to the private sector. There has also been substantial deregulation, notably of domestic bus services, and we have made progress through the European Community and elsewhere in liberating international air services and road freight journeys.

As a result there are relatively few staff in the Department now carrying out an industry sponsorship type role. Most of the activity in the Directorates referred to (to which I have added ports) is now concerned with carrying out safety and other statutory functions, participating in international negotiations and in some cases operating regulation, licensing or inspection systems primarily related to specific objectives (safety, environment, taxation and so forth). My Department's Finance Directorate has a continuous monitoring function and the Deregulation Unit carries out regular reviews and scrutinies to see that there is proper value for money and that opportunities to promote further competition are recognised and exploited.

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I am satisfied that these measures, coupled with a vigorous postings policy, ensure that the wider consumer interest is adequately safeguarded while recognising industry's reasonable expectation that Government should understand its problems and needs.

I am sending copies of this letter and its attachments to the Prime Minister, to other members of E(CP) and to Sir Robin Butler.

PAUL CHANNON

[redacted]

DEPARTMENT OF TRANSPORT

RELATIONS WITH INDUSTRY AND COMMERCE

OVERVIEW

1. The promotion of pro-competitive and anti-interventionist policies in the transport sector has been and remains a central objective for the Department. The 1989 Departmental Management Plan gives prominence to the following strategic aim:

> "Increase consumer choice, and efficiency, by policies to increase competition and to decrease the role of the public sector, and to increase the role of the private sector actively seeking opportunities for deregulation".

2. The annex describes the measures taken since 1979 to strengthen competition and the change in role of sponsoring Directorates over this period. In addition to the 6 Directorates listed in the Chancellor of the Exchequer's June letter, material is also provided on the Department's Ports Division, which is now part of the Marine Directorate. Comparative figures on staff levels are not readily available for all areas but where comparisons between 1979 and current staffing levels can be made they show a substantial decline in the number of officials working in Directorates related to specific transport sectors.

3. Clearly stated Departments objectives, which are widely understood and reflected in Directorate objectives, are the principal means of guarding against "agency capture". This is reinforced by the presence of a strong central Finance Directorate in the Department which is involved in all matters with significant financial implications, and of a Deregulation Unit. The aim of postings policy is to leave staff enough time in post to operate efficiently while ensuring they do not lose the necessary degree of critical detachment.

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4. The supplementary questions in the Chancellor's letter about procurement expenditure do not apply to Transport since sponsorship responsibilities for the sections of the construction industry concerned (civil engineering, rail, marine and aviation construction and equipment) rest with other Government Departments. Within the time and resources available it has not been possible to consider in depth the additional question raised by the Department of Employment about the effects of competition on labour productivity and practices. Substantial recent productivity improvements in the utilisation of labour have been recorded by BR (which operates in increasingly competitive markets) and by LRT (which has a much higher captive market), which suggests that conclusions would not be easy to draw.

Department of Transport
July 1989

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RELATIONS WITH INDUSTRY AND COMMERCE

A. Railways

1. Staff

Staff in post in the Railways Directorate is now 50 compared with 70 in 1979. Of the 50 staff currently in post, 10 are dealing with privatisation, contracting out and private finance.

2. Competition

The major steps taken by the Department since 1979 to increase competition and reduce protection in the rail transport sector include:

(a) the deregulation of the bus and coach industry. BR now faces strong competition in most of its markets;

(b) the removal of Government grant from Inter-City, which has to operate on a commercial basis;

(c) the encouragement of business-led sector management throughout BR;

(d) the privatisation of the main BR subsidiaries:

Sealink
British Transport Hotels
BREL
Travellers Fare
British Transport Advertising

(e) the introduction of competitive procurement for the design and supply of rolling stock based on procurement specifications;

(f) encouragement to seek competitive bids from abroad where appropriate;

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(g) the extension of competitive procurement to the supply and maintenance of track and signalling;

Further measures planned include:

(i) the withdrawal of remaining grant from London commuter services;

(ii) a study of the potential for privatising British Rail or parts of it (though that may require rather more formal regulation of price and quality in the London commuter market than exists now, and the introduction of regulation of competition where different railway operators run over one another's track).

The main restrictions on the operation of an open and competitive market are the obligation imposed on BR to maintain a network of services broadly comparable with that existing in April 1988, and the statutory requirement to obtain the Secretary of State's consent before withdrawing services from any individual station or stretch of line.

3. Changes in Objectives and Role of Sponsor Division

The Department's policy has been to put the relationship with BR onto an increasingly arms-length basis. This has been achieved by setting clear long-term objectives, first in 1983 and again in 1986, leaving BR to take responsibility for how those objectives are achieved. It was reinforced by the re-organisation of the Directorate and its objectives in 1986 following a review carried out (at the Department's request) by Peat Marwick Mitchell. The removal of grant from Inter-City and in due course from Network South East makes it possible for Ministers and officials to distance themselves from BR decisions. As financial disciplines have grown within BR, the Department has been able to disengage significantly from control over individual investment decisions.

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B. Public Transport in London

1. Staff

There were 19 staff in this Division in June 1989. There are no comparative figures for 1979 readily available.

2. Competition

Underground - There has been little scope for increasing competition for London Underground Ltd (LUL), a virtual monopoly. There is some competition from BR but on the whole their services complement each other rather than compete. In addition LRT has a statutory duty to provide or secure services in conjunction with BR. Government attention has focused on trying to improve the performance of LRT/LUL in relation to objectives.

Buses - The London Regional Transport Act 1984 placed a duty on LRT to put suitable activities out to competitive tender. Amongst other things LRT have pursued a policy of tendering selected bus routes; tendering now covers 25% of the network, half of which has been won by private bus operators in competition with LRT's own bus subsidiary.

Full deregulation of London's bus services, opening up the market for any qualified operator to participate, is firmly on the agenda but cannot be achieved without new legislation. Until then, the scope for further competition and private sector participation must be limited to LRT tendering.

Docklands - In London, Docklands innovative funding agreements for public transport have helped to ensure that the need to stimulate urban regeneration and development is reconciled with more traditional transport objectives. This has been reflected in the finance provided by the LDDC and the private sector for investment in the Docklands Light Railway and the Department's insistence that construction of a new Underground line will depend on an appropriate financial contribution from developers who will benefit.

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3. Changes in Objectives and Role of Sponsor Division

This has not been significantly redefined since 1984 when LRT became a Nationalised Industry. (The Department took over funding in 1985/86).

C. Public Transport - Bus Industry Sponsorship outside London

1. Staff

There are currently 23 staff engaged on this work including those concerned with fuel duty rebates, plus 4 on urban rail systems. There are no precise details of the staffing arrangements in 1979. However, deregulation of the bus and coach industry has been appropriately reflected in changes in organisation and staff numbers. Over the past two years reductions have been made involving two Grade 5s and three Grade 7s.

2. Competition

The provision of long distance coach services was deregulated in 1980. This was followed by deregulation of local bus services through the 1985 Transport Act. The same Act initiated the privatisation of the National Bus Company. The Scottish Bus Group is now in the process of privatisation. Municipal bus companies (which were created as arms length companies through the 1985 Act) are gradually being privatised voluntarily (the Department has no powers to enforce this at present). We are also consulting on the possible split of the four remaining bus companies owned by Passenger Transport Authorities in order to increase competition. Otherwise, the bus and coach market is fully open and competitive.

3. Changes in Objectives and Role of Divisions

The objectives and role of the sponsor divisions have been substantially redefined since 1979 in line with deregulation and the fact that NBC is no longer a nationalised industry. Government involvement is, by and large, at a much less detailed level than in 1979. Certain licensing features still remain to secure minimum standards of safety and

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security and services are subject to a registration system whereby operators simply notify the Traffic Commissioners and local authorities (with 42 days' notice) of new services and changes to services. The Department still has dealings with the Bus and Coach Council over matters affecting the industry, in particular licensing and registration. The aftermath of deregulation and NBC privatisation (subject to NAO inquiry) as well as the continuing sale of local authority owned companies (which require the Secretary of State's consent) has meant that the Department has not yet been able fully to realise the staff savings that will be achievable when the whole process has been completed.

D. Civil Aviation Policy

1. Staff

CAP employs some 50 staff in four divisions. CAP1 (11) formulates and executes airports policy, both facilitating and regulating airport development and operations, taking account of Government and consumer needs. CAP2 (15) has three main functions: to oversee as a 'nationalised industry' the Civil Aviation Authority; to facilitate airline competition; and to pursue initiatives on improvement of air traffic control. CAP3 (3) provides specialist safety advice to the Secretary of State. CAP4 (18) deals with noise and environmental matters bearing on airports and aircraft.

2. Competition

Airports - 1986 saw the passage of the Airports Act, which provided for privatisation of BAA and conversion of local authority airports into Companies Act companies. With this went a requirement to publish commercial accounts, and a regime under which consumers were given a variety of channels for pursuing accusations of uncompetitive practices by the airports.

Airlines - The 1980 Civil Aviation Act required the Civil Aviation Authority to give greater weight to the interests of users in its licensing decisions. The CAA is now pursuing liberal licensing policies which put greater emphasis on competition and the interests of users and

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less emphasis on second guessing the market. This period coincided with the privatisation of British Airways, but there are a number of other British airlines competing vigorously with BA on both domestic and European routes. The industry is in good shape to face the challenge of liberalisation of the European aviation market, the first stage of which came into operation at the beginning of 1988. Airline competition policy is currently under review to see whether a further reduction in intervention in the market is possible as the European market is progressively liberalised over the next few years.

3. Changes in Objectives and Role of Sponsor Division

CAP objectives and role have been redefined in recent years to reflect the Government's preference for market-led solutions. Thus CAP1 for instance, previously a sponsor of the local authority airports, is now concerned to facilitate competition amongst them, and to encourage the involvement of the private sector. Reorganisation within the Directorate has resulted in all airports being overseen (in policy terms) by one division. This promotes a broader, less committed attitude to individual airports.

E. International Aviation

1. Staff

International Aviation Directorate is primarily concerned with aviation relations, bilateral and multilateral, with other countries. The Directorate has 45 people and is organised on a geographical basis.

2. Competition

The regulation of international aviation is based on a network of bilateral air service agreements (ASAs) between countries. Historically these agreements have been very restrictive. The Government has been actively engaged in negotiating more liberal bilateral agreements with the aim of increasing competition and thereby benefiting passengers through lower fares and improved services. Greatest progress has been achieved in Europe where the UK's 1984 bilateral agreement with the Netherlands is probably the most liberal in the world and has resulted

in substantially lower fares and higher passenger carryings. Similar agreements have now been negotiated with the other Benelux countries and with Ireland. The Directorate is now seeking to extend liberalisation into the UK's aviation relations outside Europe. Liberal agreements have been negotiated with Canada, Malaysia and New Zealand.

Multilaterally, the UK has been the main driving force for liberalisation within the European Community and, principally as a result of efforts during the UK Presidency, a package of liberalising measures was adopted in December 1987. The Commission have been strongly pressed to bring forward proposals for substantial further liberalisation on the basis of a set of objectives approved by E(CP) in January 1989.

3. Changes in Objectives and Role of Sponsoring Division

International Aviation Directorate is the main contact point within Government for the UK airlines which are engaged in international operations. The Directorate also ensures that consumer groups are consulted on major policy proposals and are kept informed on a regular basis of EC and other developments.

F. Shipping Policy

1. Staff

On 1.4.79 Shipping Policy Division had a complement of 75. The Shipping Directorate (minus Aviation Security) has a current complement of 107. But the Directorate now has wider responsibilities - notably ship registration, and defence and emergency planning for surface transport. The number of posts which now correspond to those which made up Shipping Policy Division in 1979 is 44. This figure is itself not a completely accurate guide to the number of staff engaged in "sponsorship" activities; it includes, for example, those responsible for Merchant Navy Defence planning. But as no breakdown is available for the distribution of the 75 Shipping Policy Division staff in 1979 it provides the best basis for comparison with the position 10 years ago.

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2. Competition

The domestic shipping market has traditionally been open and competitive. Much of the Government's effort since 1979 has been devoted to resisting pressure for subsidies and protection for the UK industry, and to keeping world shipping markets free of unfair subsidies and restrictions. Examples of the latter include the negotiation of the first stage of an EC shipping policy and the OECD Common Principles. The main immediate task ahead is to secure EC agreement on the liberalisation of cabotage.

Sealink (British Rail's ferry and port operations) was sold into the private sector in July 1984. Apart from some Scottish ferry services there are no longer any public sector shipping services.

3. Changes in Objectives and Role of Sponsor Divisions

The role of Shipping Policy Division (now Shipping Policy, Emergencies and Security Directorate) has been expanded since 1979 to cover inland transport emergency planning, the registration of ships and seamen, and, most recently, aviation security. Strict shipping "sponsorship" activities therefore now form a substantially smaller proportion of the directorate's responsibilities. The directorate is also the "sponsor" division responsible for British shippers (ie. the customers of the shipping industry). This helps to ensure that the users' interests are taken fully into account in the decision making process.

G. **Freight**

1. Staff

There are currently 80 staff in the Directorate, who collectively spend only about 1% of their time on sponsorship work. Other parts of the Department, notably vehicle engineering, vehicle inspection and driver and vehicle licensing, also have substantial contact with the

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freight industry. Reorganisation of work over the last 10 years makes direct comparison with 1979 difficult.

2. Competition

The general policy approach is that there should be free competition for freight and consumer choice should be extended by policies to increase competition, facilitate trade and decrease the public sector's role through deregulation.

Major actions to increase competition and reduce protection in the market since 1979 include:-

(a) Privatisation of the National Freight Corporation (1982);

(b) Successful international negotiations to promote (and defend) liberal road haulage transport regimes, resulting in the ending of permit rationing for UK operators in all 28 countries with whom we have bilateral agreements from June 1989;

(c) Pressure within the EC for liberalising transport resulting in the abolition of compulsory road haulage tariffs (1988) and the major achievement in the same year of agreement to abolish all quota restrictions in 1992 (with increased multi-lateral quotas meantime);

(d) Deregulation review of passenger and goods operator licensing (1989), aimed at minimising statutory and administrative burdens on the industry.

In addition to maintaining the pressures and momentum generally towards more liberal regimes and effective safety conventions, further specific measures needed to open markets and increase competitiveness include:-

(1) Achievement of liberalised international passenger transport within the EC and elsewhere in Europe;

(2) Further withdrawal of Governmental role in tachograph industry;

(3) Liberalisation of cabotage.

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Each of these would have the effect of increasing competition and improving customer choice and efficiency. Measures (1) and (3) would provide further opportunities for international trade in road transport services.

3. Changes in Objectives and Role of Sponsor Division

The objectives, tasks, role and achievements of the directorate are reviewed annually against Government policies. Resources and broad organisational structure are looked at. This process (consolidated for the department as a whole in the published Management Plan) has changed the emphasis of the Freight role. While maintaining what is regarded as an essential point of contact with industry, there has been a move away from the overt sponsorship and oversight of the deregulated road haulage industry, including the National Freight Corporation, as it was in 1979 towards policy/task related arrangements.

H. Ports

1. Staff

1979 - approximately 28. 1989 - 16. (A peak of 30-35 in 1980-81).

In 1979 Ports Directorate engaged full time one G3, two G5 and one G6. In 1989 Ports Division occupied one G5, no G6, and about 20% of the time the supervising G3. Over the decade additional functions have been acquired from the defunct National Ports Council and other Divisions.

2. Competition

Ports have always competed with each other for business, on price and service quality. For many traffics the competition is real and keen. Additional measures have been taken to strengthen the market:-

1980 - Cessation of Government loans for capital investment.
1981 - Abolition of National Ports Council.

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1983 - Privatisation of British Transport Docks Board (now Associated British Ports).

1984 - Privatisation of Sealink UK.

- Suspension of statutory Government approval of major port development projects (the relevant statutory obligation was repealed in 1985).

1985 - Repeal of sundry minor statutory requirements for Ministerial consents.

1989 - Abolition of the Dock Labour Scheme.

- Financial reconstruction of Mersey Docks & Harbour Company, involving severance of the Company's special links with the Department of Transport and to be completed by the Department disposing of its 20% shareholding in the Company.

Further measures planned - Privatisation of the major trust and local authority ports would "loosen up" the framework of the industry and should in time stimulate a more efficient use of resources. It requires legislation. Plans are also being formulated to restructure the Port of London Authority by disposing of its commercial port functions into the private sector and leaving the remainder as a financially self-sufficient trust.

3. Changes in Objectives and Role of Sponsor Division

The broad objective throughout the past decade has been to minimise the Government's role in the development and management of ports and to get rid of unnecessary controls over or constraints on individual ports' management. The role of the Ports Directorate/Division has remained broadly the same. The statutory functions have shrunk, but some remain. The big effort needed to "rescue" the ports of London and Liverpool is no longer necessary. There is increasing emphasis on the sensible application to the ports industry of Community, financial and environmental policies.

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Our ref MM1ANH
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Date 17 July 1989

Dear Chancellor of the Exchequer,

I attach DTI's response to your questions about how Departments deal with the sectors of industry and commerce for which they are "responsible". The issues which your questions address are important elements in our aim of improving the supply side of the economy.

Competition is at the centre of our economic strategy. In setting objectives for DTI two years ago, I emphasised two main aims, to encourage enterprise and to encourage open competitive markets. To achieve our aims of increasing competition and deregulation, we need to operate across the whole of Government. That is of course the role of E(CP) and of the task forces which have a remit across the whole of the economy such as the Enterprise and Deregulation Unit and DTI's Competition Policy Division.

But it is just as vital that competition is central to the objectives of individual Departments which have regular contact with industry and commerce. When Kenneith Clarke and I arrived at DTI two years ago, we were concerned about the role of what were then called "Sponsor Divisions". We were concerned lest sponsorship developed into a relationship with individual companies and sectors which weakened our desire to put the pressure of competition on UK firms. Such problems are much worse when grants are paid on a sectoral basis or when Government regulation can impede competition in a sector.

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There is, of course, a difficult balance in our relationship with business since we also emphasise the need to communicate well with industry and commerce. 1992, international trade negotiations and Government regulations which affect business, all need a good understanding of industry and commerce.

Our response two years ago to such concerns was to abolish a number of subsidies received by individual companies and defined by sector and to restructure the "sponsor" divisions in DTI. "Sponsor" divisions were redefined in terms of markets so that they looked at the needs of consumers and the markets, not just the needs of suppliers. They were given a much broader coverage by sector and reduced in number. The emphasis switched to horizontal divisions dealing with issues such as technology and standards across the whole of industry and commerce. The change in structure signalled a wider change in approach both to people with DTI and to industry and commerce.

I had decided in June to review the divisions presently defined in terms of market sector so as to consider whether their functions continue to fit with the policies I am pursuing and whether such functions could be performed in a non-sectoral structure.

This review should be completed by the end of October. I am copying this letter to the Prime Minister, Members of E(CP) and to Sir Robin Butler.

Yours sincerely,

Geoffrey Howe

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

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RELATIONS WITH INDUSTRY AND COMMERCE: DTI

Introduction

The emphasis of DTI's policy is on wealth creation through enterprise and the efficient operation of markets. "The way to wealth creation lies through business and individuals working efficiently in open competitive markets. The characteristics of such policies are likely to be long term rather than short term, tackling underlying causes rather than symptoms, applying across the economy as a whole rather than concentrating on particular sectors or industries and working with industry to facilitate change rather than dictating changes from above." (DTI Objectives).

In terms of both policy and organisation the department's approach has been transformed since 1979. In 1983 the separate Departments of Trade and of Industry were merged. In 1987 new objectives were set and in 1988 a White Paper, "DTI - the department for Enterprise" (Cm 278), set out a number of policy and organisational changes including a new structure which strengthened the role of horizontal, policy divisions and established "Market Divisions" to replace the former industry sponsor divisions. At the same time closer central control of DTI's budget based on the principle of zero budgeting was introduced. Finally, some eighteen months after their creation, there is to be a review of Market Divisions to consider their

functions as they have now developed, and the organisational structure best suited to performing them.

This paper answers the questions in the Chancellor of the Exchequer's letter of 12 June to the Secretary of State for Trade and Industry together with an additional question inserted at the request of the Employment Department.

How many of the Department's staff are engaged on functions organised on sectoral/industry/product/market basis as compared with 1979?

There has been a significant fall in the number of staff in DTI engaged on functions organised on a sectoral/industry/product/ market basis. This is related to changes in the markets themselves and to the changed role of DTI.

It is not possible to produce a consistent and reliable set of consecutive figures. Until the 1979 Election there were three separate Departments, (Trade, Industry, and Prices and Consumer Protection). From 1979 to 1983 there were two Departments (Trade and Industry). Over the decade functions have been transferred to other Departments, notably Transport (shipping and civil aviation) and Employment (tourism). Functions have also been reorganised within DTI, and the mix of work within Divisions has changed significantly. Some Divisions identified in the Annex to the Chancellor's letter are almost totally engaged in regulatory work (Insurance and Financial Services) which varies with the degree of

regulation. Some others also have a significant horizontal focus (Information Engineering Directorate and Manufacturing and Information Technologies Division). The post-1987 Market Division concept has also led to changes, with some economists and statisticians being transferred into Market Divisions in 1988.

The overall downward trend takes account of inter-departmental transfers and internal organisational changes. From 1979 to 1989 there has been a reduction from 848 to 733 in the number of staff employed in Divisions organised on a sectoral/industry/product/ market basis. The decreases largely took place after 1987. Between 1979 and 1987 numbers actually increased, largely as the result of the transfer into sectoral Divisions of about 50 staff from research and technology divisions in 1982/83. After 1987 there was a cut of some 20%.

It is not possible to give detailed figures for the deployment of staff in each market sector since divisional groupings have changed markedly over the period. There have, however, been some major identifiable changes. For example staff employed on the vehicles sector has decreased from 51 to 28 between 1979 and 1989 while the number engaged on financial services and companies administration has risen from 41 to 76 over the same period.

The number of staff in sectoral Divisions has also reflected changes in Ministerial policies. After 1979 policy shifted from giving grants on a non-selective to a selective basis which was more resource intensive. Since 1987 award of grants on a

non-selective basis has ended and the selective schemes are being run down. Changes of this kind since 1987 have allowed the saving of about 40 posts.

What major actions have departments taken since 1979 to increase competition and reduce protection in the markets in which the "sponsored" industry or service operates? What departures from open and competitive markets remain? And what further measures are planned?

Competition Policy

Key changes have taken place in this area during the 1980s.

The Competition Act 1980 abolished the previous price control legislation, and introduced new provisions for the Director General of Fair Trading (DGFT) to investigate anti-competitive practices. Failing undertakings to cease the practices the DGFT can refer them to the MMC. Subject to the MMC report the Secretary of State can then ask the DGFT to obtain suitable undertakings or make an order himself.

The competition element in merger references has been highlighted. In announcing the findings of a review in July 1984, the then Secretary of State, Mr Tebbit, stated that merger references would be made primarily, though not exclusively, on competition grounds. A further review of merger policy, concluded

in March 1988, confirmed this policy, but suggested procedural improvements to make examination of mergers by the authorities more flexible and efficient. The most important of these improvements, voluntary prenotification and the provision of undertakings by businesses in place of a reference, are to be implemented by the Companies Bill now before Parliament.

Restrictive Trade Practices are also to be regulated more tightly. Following a major review of the law and policy, a Green Paper (March 1988) canvassed radical changes in the law. The Government proposed that coverage of the new law should be defined in terms of the effects of the agreement rather than its legal form, and would align the new national cartel law to EC cartel law as far as possible for the sake of consistency and simplicity. Agreements with anti-competitive effects or purpose would be prohibited rather than merely subject to requirement to register. There will be a broad exemption test, based on Article 85(3) of the Treaty of Rome, which assesses applications against strictly economic criteria. The new legislation will extend RTP law to sectors not previously subject to it and introduce penalties against those who enter into prohibited agreements. The Green Paper proposals are taken forward in more detail in the White Paper published on 18 July.

In the EC, the proposed merger control Regulation has been under discussion since 1973. It would provide a system under which mergers with a genuine "Community dimension" would be defined by turnover and be subject to prior vetting and authorisation by the

Commission. The UK, like most other Member States, has expressed reservations about the scope of the proposal; the criteria to be used in assessing the effects of a merger; its relationship to national mergers administration; timetables for investigation; the division of decision-making power between the Commission and the Council; and the relationship between it and Articles 85 and 86 of the Treaty of Rome. The UK's prime concern is to ensure that the details are right and represent an improvement on the existing position under EC law, thereby leading to the best possible outcome for UK companies.

Action taken against monopolies and other anti-competitive practices

Since 1979 much has been done to reduce the effects of anti-competitive practices. Some examples, where DTI has responsibility are:

Telecommunications:

- The BT monopoly that existed at all levels in 1979 has been eliminated in a series of measures which have given the UK the most open and liberalised market in telecommunications equipment and services in the EC. Work continues to encourage further opening of markets in the EC and further afield.

Post Office:

- The Post Office monopoly for letters where the charge is over £1 was suspended for 25 years in 1981 and has led to the growth of the courier business. Ministers have agreed to reduce the monopoly limit to 50p; the timing of implementation has yet to be decided. The Post Office, since 1986, has not been permitted to cross-subsidise one business from another, particularly from monopoly businesses. Last year the Post Office was divided into four businesses which now charge each other after negotiations at arms length. Parity of customer treatment between the Post Office and couriers has yet to be achieved.

Motor Car Parts:

- in 1982 clauses in franchise agreements relating to the exclusive supply of motor car components were prohibited following a Monopolies and Mergers Commission report;

Films:

- The 1989 Films (Exclusivity Agreements) Order made unlawful long-term agreements between film distributors and exhibitors which include provisions for exclusive exhibition of films.

Privatisation

Since 1979 DTI has privatised British Aerospace, Rolls-Royce, British Telecom, Cable and Wireless, Rover Group, Jaguar, British Steel, viable elements of British Shipbuilders and numerous subsidiaries of British Technology Group (notably Inmos, Ferranti and ICL). Planned sales include Girobank and the remaining merchant yards of British Shipbuilders.

Inward Investment

Increased competition in several market sectors has come through the DTI's promotion of inward investment, notably vehicles where Nissan, Honda and Toyota have been active. Other successes are automotive components, biotechnology, paper, consumer electronics and semi-conductors.

Single European Market

DTI has worked to promote competition and reduce protection in the European Community and is fully committed to breaking down the remaining barriers to trade in the Community. This will provide substantial new opportunities for business, and benefits for consumers through increased choice and lower prices.

A number of market-opening measures have been agreed since the launch of the single market programme in 1985 almost 300 individual agreements have been reached, including some 140 from

the 1985 Cockfield White Paper. The UK has been in the forefront of pushing these changes through. Some of the major agreements to date fall within DTI's direct responsibilities, eg:

- Professional Freedom to Practise: mutual recognition of professional qualifications

- Ending of Techncial Barriers: important directives to break down technical barriers to trade, eg in machines and toys

- Insurance Liberalisation: steps towards liberalisation of the non-life insurance market.

Other major areas within DTI's responsibility still to be agreed include the opening up of the markets in investment services and life insurance, proposals for a European trade mark, and the mutual recognition of testing and certification.

To prevent new barriers to trade and investment, DTI is also keeping under review the external implications of internal market changes.

International Efforts

Liberalisation of world trade to create more competition is the keynote of the Uruguay Round of GATT negotiations. A number of measures have already been agreed, eg in the area of tropical products. Changes to the operation of GATT's dispute settlement rules and procedures have been introduced making it easier and quicker to bring to book violations of GATT's rules. Commitments not to introduce new GATT-inconsistent measures during the course of the Round (standstill) and to remove existing measures (rollback) remain in force.

The areas which will most affect competition in the UK are tariffs, textiles, agriculture and services. If UK objectives are secured, the resulting liberalisation will be reflected in the EC's external regime and further contribute to the exposure of the market to greater competition.

Voluntary Restraint Arrangements (VRAs)

Vigorous steps have been taken against industry-to-industry VRAs over the past three years, DTI has systematically carried out a full cost/benefit analysis of VRAs known to it. These private agreements seek to restrain trade without any of the usual disciplines of trade or competition policy. The analyses have sought to measure the costs and benefits of the VRA to the industry protected and its impact on consumers and the UK economy as a whole. They have generally shown that either the

arrangements have been ineffective and have had little or no impact on the economy, or that there has been a substantial net economic cost to the degree they have constrained trade. In these instances the Government have publicly announced that they regard such arrangements as no longer justified and have encouraged those industries concerned to bring them to an end. As a result almost all inter-industry arrangements have been terminated, ie those on pottery, footwear, consumer electronics, cutlery, special steels, machine tools and forklift trucks.

The future of the inter-industry arrangements limiting the import of vehicles from Japan is currently being considered in a Community context in the run up to 1992. The Commission's formal proposals are expected shortly.

There are also reviews of restraints applying to imports from state-trading countries, eg headgear, gloves, domestic pottery, consumer electronics and matches. These are being reviewed in the UK and EC. The future of the GATT Multi-fibre Arrangement, which includes some VRAs as well as import quotas, is on the Uruguay Round agenda; the UK strategy is to be discussed by Ministers in September. There also remain some EC VRAs governing steel imports from a number of countries and steel exports to the USA. The UK itself has quotas on steel imports from East Germany, USSR and North Korea. Our attitude to all such arrangements takes into account the interests of the UK economy as a whole, ie of the steel consumers as well as producers. The future of the EC's external steel regime is to be reviewed by Ministers this Autumn.

Market Opening in Regulated Sectors

Increased competition was brought about by DTI's agreement with the Stock Exchange in July 1983 on the removal of minimum commissions. Big Bang followed in October 1986, effectively opening London's securities markets to the international community. DTI's implementation of a new regulatory regime in April 1988 had a further major impact on the UK financial services industry. The new regulatory regime was designed to provide better protection for the investor while enabling the industry - through self-regulation - to keep costs of regulation to a minimum. All Exchanges and Clearing Houses, in order to be recognised, have had their rules subjected to competition scrutiny. The recognition of overseas investment exchanges is enabling them to operate in the UK, thereby increasing competition. DTI is introducing changes to the Financial Services Act to assist the Securities and Investment Board to make the regulatory regime simpler and more flexible and to give greater weight to the cost of compliance without reducing protection for investors. All these changes, and the deliberate policy of encouraging strong international competition have made the industry substantially more competitive than in 1979.

DTI has also put much energy into negotiations to bring about an open, competitive European market in banking and investment services.

Reduction in Subsidies

State support for the films industry has been cut. The 1985 Films Act abolished films quotas and the Eady Levy which redistributed a percentage of cinema box-office takings to the markets of British films. It also made provision for the dissolution of the National Film Finance Corporation (NFFC) which part-financed low-medium budget feature films. Remaining support for the sector is limited to the private sector successor to the NFFC - British Screen Finance Ltd - which receives a grant of £1.5m pa for investment in British feature films and £0.5m pa for the production of short films and script development.

Distortions in the aerospace market have been tackled where possible. DTI has continued to exert pressure on Airbus Industrie to turn it into a proper commercial entity and eventually a plc; has reduced dependence on launch aid; influenced other European governments through Airbus and more generally to reduce government financial supports. R&D assistance to the aerospace industry remains necessary because of continued support for international competitors. Nonetheless, it has been reduced in both real and cash terms and near-market support has been discontinued.

There have been cuts in industry financial support schemes under Section 8 of the Industrial Development Act 1982. Many schemes have been closed in recent years, eg in the paper and board,

ferrous and non-ferrous foundry, wool textile, machine toole, clothing, fibre optics and microelectronics sectors.

Support for innovation has been redirected. Prior to the White Paper "DTI - the department for Enterprise" (Cm 278) in January 1988, DTI's support for innovation was concentrated on single company support for longer-term R&D designed to strengthen the technological base and for development work on new and improved products and processes. The White Paper recognised the importance of innovation in sustaining a competitive edge in world markets, but heralded significant changes. Support for near-market R&D has been discontinued. There is now greater emphasis on technology transfer and on collaborative programmes between companies, and between companies and higher education institutions.

<u>How have the objectives and role of the sectoral/sponsor divisions in departments been modified since 1979? Where there has been a re-organisation, what have the effects been in practice?</u>

There has been a wholesale redirection of the Departments's approach. In 1979 sponsorship of industry was mainly the responsibility of the then Department of Industry, although certain service industries, eg insurance, were sponsored by the then Department of Trade. Sponsorship involved a focus on the particular problems of the industry concerned and representation of its interest within Government. The accumulated knowledge was used to help the Government develop a climate which maximised

industry's scope for wealth creation. The focus was very much on suppliers and their problems; contact between Government and industry was in the main with supplier firms and trade associations rather than with consumers. Sponsorship was mainly carried out by the industry divisions with contributions from Regional Offices.

In 1983 the Departments of Industry and Trade were merged to form the Department of Trade and Industry. The new organisation encouraged industrial and commercial policies to be developed in harmony rather than co-ordinated after initial development in separate Departments. Following the merger, a set of formal aims was published. The central aim was "to encourage, assist, and ensure the proper regulation of, British trade, industry and commerce; to increase the growth of world trade and the national production of wealth". Subsidiary aims related to fostering the right climate; international competitiveness and encouragement of innovation. But the organisational structure to pursue these aims was not radically changed and industry divisions continued to carry out a sponsorship function.

Lord Young, as Secretary of State, published new objectives for DTI in October 1987:

> "The needs and demands of society can only be met by increasing prosperity. The prime objective of the Department is to assist this process throughout the economy

and to champion all the people who make it happen, rather than just individual sectors, industries or companies.

We work with business to promote best practice and within Government to create a climate that stimulates enterprise and reduces red tape.

Business flourishes in a competitive and open economy and we aim to secure this both at home and abroad. We will continue to promote the growth of international trade and work towards a single market within the European Community.

We seek to:

- produce a more competitive market by encouraging competition and tackling restrictive practices, cartels and monopolies;

- secure a more efficient market by improving the provision of information to business about new methods and opportunities;

- create a larger market by privatisation and deregulation;

- increase confidence in the working of markets by achieving a fair level of protection for the individual consumer and investor.

We will encourage the transfer of technologies and cooperative research, the spread of management education and the growth of links between schools and the world of work.

Our objective will be to produce a climate which promotes enterprise and prosperity. In all our work we will take account of the differing circumstances of the regions and of the Inner Cities to enable those who live there to help themselves."

In line with these objectives, industry divisions were dismantled in 1988 and a new set of divisions established to focus on markets for particular goods and services, marking a distinct break from the traditional "sponsorship" role.

Market Divisions are charged with tackling broad policy issues affecting all those active in the market in question. Divisions include economists, statisticians and technologists as well as generalists. Their function is to act as the interface between DTI and business and to provide an input into policy formulation on eg European issues, international trade, deregulation and innovation.

Market Divisions have specific aims and objectives agreed by the Secretary of State. These stress communicating with business to deliver and develop Government policies. In addition to their responsibility for establishing relevant information on markets and acting as a contact point for business, staff are charged with

drawing together divisional interest in specific horizontal policies concerned with improving the functioning of the market, such as deregulation or innovation.

At the same time as creation of the Market Divisions mechanisms for strengthening review and evaluation of programmes and priorities were introduced. Zero-based budgeting ensures that programmes and projects do not continue without regular, detailed scrutiny. Emphasis is given to ensuring that programmes have clear objectives which are testable and quantifiable wherever possible, with in-built time limits or periodic reviews.

In line with these changes, horizontal, policy divisions have been strengthened both in terms of staff and of responsibilities. Competition Policy Division has been built up, to take on increased work on competition in the economy as a whole. In 1985 those dealing with competition policy matters were brigaded in a single branch of $8^3/_4$ people, headed by a Grade 5. Now competition policy merits a division in its own right, headed by a Grade 3 with 38 staff, three at Grade 5 level. To an extent this expansion has been needed to cope with an increasing case load from monopolies and mergers cases, but there is also a significant element dealing with wider competition issues, particularly the proposed EC merger regulation and restrictive trade practices legislation.

Where sectoral/"sponsor" divisions continue in existence, how do departments ensure that they are not subject to "agency capture", including eg the use of organisational devices, regular reviews (if so, what tests), or an active departmental personnel policy?

The major change in the organisation of DTI from industry - or "sponsor" - divisions to Market Divisions has brought with it a reduction in the potential of "agency capture". Whereas earlier a division was responsible for dealings with one particular industry or a narrow range of industries, the fewer divisions now remaining, and organisational units within them, typically form contact points for larger sections of the market. Given the breadth of the marketplace with which divisions are in regular contact, they must now deal with a wide variety of companies, user organisations etc, and reconcile conflicting views and interests. In addition, the arguments put forward by particular individual industries are subjected to far more critical scrutiny which takes into account wider market considerations and the horizontal policies of Government. With the rundown of sectoral schemes and single company support, the relationship with companies and organisations has shifted from them seeing DTI as potentially a source of direct funding, towards one where officials are focusing on the prospects and challenges of a wider market context and encouraging companies - often against traditional attitudes - to spread technology transfer, enhance collaboration in R&D, establish better links with education and confront the realities of the Single European Market.

Market Advisory Committees have been set up to advise DTI on particular market sectors. Their terms of reference have been deliberately designed to ensure a wider perspective and a practical input into promoting the Department's policies.

Now regulatory structures provide a further safeguard because regulatory bodies rather than DTI have primary contact with the industry involved. For example, in the telecommunications sector many of the regulatory aspects now reside with the independent Director General of Telecommunications who has shown himself to be a strong proponent of effective competition in the interests of users. DTI and OFTEL also maintain separate contacts with operators, users and manufacturers, consulting on both national and international issues. This parallel structure helps ensure a "health check" on policy decisions. OFTEL can vary licence conditions in the light of experience should this prove necessary, and there is also an additional safety net in that licence modifications agreed between OFTEL and an operator can be referred to the MMC should these be considered the result of too cosy a relationship between the two.

Comparable safeguards within the regulatory structure exist within the Insurance and Financial Services markets.

"Agency capture" is also limited by further organisational devices within DTI. For instance there is now a clear distinction between the technical assessment of a private sector proposal for collaboration or assistance on a R&D project, and the

authorisation of financial support. The Department's technically qualified staff, who assess the technical feasibility of a project, and who must have regular contacts with industry, do not have financial authority. Proposals for assistance are considered by Individual Programme Committees.

Evaluation systems also guard against agency capture. All DTI's schemes involving financial support to industry are subjected to regular evaluation by DTI's own economists or by external consultants. A present example is the formal evaluation review of the DTI's main support scheme for the Film Industry, which is currently being carried out by DTI economists, whose findings will be reported to the Treasury. And there is also the role of the Department's Internal Audit Division, in carrying out regular scrutinies of procedures used by Market Divisions in the course of their contacts with industry.

Finally, the personnel policy of the Department also plays its part in reducing the risk of "agency capture". Over the ten years of the survey there has been a regular turnover of staff within Industry Divisions, at all levels. A succession of organisational changes of responsibilities between divisions, and of creations of new divisions, have led to new blood in line management and frequent re-examinations of previous policies.

In "sponsored" industries where competition has improved, have there been consequential improvements in the labour market, eg reduction in restrictive labour practices, better utilisation of labour, introduction of multi-skilling, more realistic pay bargaining?

The changed relationship between Government and industry in the decade 1979 to 1989 has been mirrored by improvements in competition at point of sale and, higher up the production chain, improvements in sourcing and costing inputs, including labour. It is, however, difficult to establish exact causal relationships, in individual cases, between lack of competition in an industry's employment terms and conditions, on the one hand, and a lack of competition in the same industry's product market, on the other. The industries whose relationship with DTI over the last ten years has altered most radically, through privatisation are telecommunications, steel, motor vehicles, shipbuilding and aerospace. But there are other industries (eg the film industry) where a changing relationship with DTI can also be linked with improvements in competition.

General

In manufacturing industry, and in the economy as a whole, the decade 1979-89 has seen significant reductions in restrictive labour practices, better utilisation of labour, and more realistic pay bargaining. One measure of this trend is the reduction in the role of private sector multi-employer

reduction in the role of private sector multi-employer national agreements in settling pay: excluding wages councils, a total of 96 private sector multi-employer national agreements now affect the pay of an estimated 4.25 million employees or about 25% of all employees in the private sector, compared with 50% in 1979. The overall trend has been downwards as pay arrangements are decentralised, and virtually no national agreements are known to have been conceived for many years. Similarly, output per person employed in total manufacturing industry has increased by some 50% in the decade to 1988. But, as the attached table shows, this rate of increase has been exceeded in the iron and steel, motor vehicles and aerospace sectors although not in shipbuilding.

Specific Industries

While a comprehensive picture cannot easily be assembled, the following are examples of specific instances within the general trand.

(a) Aerospace: Privatisation of British Aerospace and Rolls Royce has led to significant improvements in four specified areas. There are now more realistic programmes for securing labour efficiency and improved pay bargaining, not only on account of stock market perceptions but also because labour inputs and pay costs are now broken down by plant and workplace. British Aeropspace, for instance, believe that their recent pay

settlement at Filton is a good 2% below the going rate thanks to additional trade union realism.

(b) Telecommunications: The full impact of liberalisation has still to show through in the telecommunications manufacturing sector. However, one indirect consequence (the merging of two out of the three leading companies and consequent job shedding) will inevitably lead to rationalisation, with corresponding gains in productivity and efficiency. Despite evidence of previous overmanning, there is at the same time a severe shortage of engineers and technicians. While work practices are improving and pay bargaining generally is trouble-free, salaries for scarce staff have inevitably risen sharply, to match the market. As to British Telecom, BT have taken considerable steps to improve flexibility in deploying employees, and also in multi-skilling (where technical complexity allows). A key element of the 1987 settlelemt was agreement to provide for less rigid job demarcations and performance-related elements in pay. The presence of Mercury Communications (who do not recognise unions for pay negotiation purposes) has also helped to reduce the vulnerability of major telecoms users to BT strikes, and therefore to reduce the impact to industrial action in BT.

(c) Shipbuilding: There is evidence of improved labour flexibility and productivity in warship building yards since privatisation. At Swan Hunter, the need to become efficient has reduced the scope for demarcation disputes and eliminated distinctions between shipbuilders and outfitters. There have been corresponding changes to working conditions and to attitudes to training. As a result, Swan Hunter has made very substantial productivity gains. Similar changes in working practices have been reported by Vosper Thorneycroft and VSEL, and Cammell Laird is also adapting to competition in warship building. The run up to privatisation in British Shipbuilders had led to improved working flexibility in merchannt shipbuilding, at the Govan and Appledore yards. As to more realistic pay bargaining, Swan Hunter, VSEL and Vosper Thorneycroft all report more realistic and positive attitudes to pay bargaining.

(d) Steel: In the steel sector a degree of rationalisation between the public and private sectors since 1979, the EC ban on most state aid for steel since the end of 1985 and the privatisation of British Steel in 1988 have all contributed to increased competition and reduced protection in the market. During this period British Steel has introduced new and more flexible working practices, pay increases largely related to the achievement of improved performance and cost reductions, and secured productivity improvement from 14.5 man hours

to 4.7 man hours in respect of the labour input per tonne of liquid steel produced.

There are other industries where the changed relationship with Government, or the role of Government in new investment has brought improvements.

(a) The Film Industry: The MMC Report on Labour Practices in Television and Film Making (April 1989) found that "fundamental changes are taking place in the industry at present . . . factors causing these changes include rapid technical advance, increased competition and changes in employment law . . . the Government policy that independent producers should have access to a larger share of broadcast output, have increased and will in future increase competition". The report expressed concern about the rate of change in the independent sector and this concern is being pursued by the relevant trade associations.

(b) Inward Investment: There have been a number of instances where inward investment (notably by Japanese companies in the motor industries) has brought improved management and labour practices, notably the introduction of single union deals. Examples are the Nissan plant at Sunderland and the planned Toyota plant at Burnaston. In both cases, Government policy has been a catalyst for improvement.

Assessment

This is not a field in which an overall quantified assessment can be made. But it seems clear that, within the sphere of DTI activities the changed relationship with industry and commerce, notably through privatisation, has brought with it a range of improvements in labour inputs and negotiating pay costs.

OUTPUT PER PERSON EMPLOYED*
1980 = 100

SIC	Total manufacturing DW 2-4	Iron & steel 221, 222, 2235	Motor Vehicles	Ship-building 361	Aerospace 364
1978	102.8	127.2	106.8	97.9	91.7
1979	103.2	137.9	106.0	96.8	83.0
1980	100.0	100.0	100.0	100.0	100.0
1981	103.5	154.1	99.0	108.3	110.4
1982	110.4	173.4	107.4	118.8	106.9
1983	119.8	202.6	121.2	114.9	108.1
1984	127.2	214.7	126.0	122.3	113.1
1985	131.3	248.9	138.4	1'8.8	122.2
1986	135.9	279.9	144.5	106.8	139.6
1987	145.0	324.9	160.8	116.8	161.1
1988	153.3	364.1	177.5	136.1	153.6

* Ratio of Index of Production to UK employees in employment.

Source: Industrial Economic Indicators Database.

Prime Minister
Only the Chief Secretary (below) has commented on this, and he is content.

CONFIDENTIAL

WO169

Content with the conclusions in paragraph 11 below?

PRIME MINISTER

12 July 1989

Needs further consideration

RRC6 21/7

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS AND COMPETITION

Introduction

Minutes attached (E(ST)(88) 3rd)

1. At its meeting on 9 May 1988, the Sub-Committee on Science and Technology of the Ministerial Steering Committee on Economic Strategy (E(ST)) invited me to co-ordinate Departments' reviews of their civil Research Establishments (REs) and to report back in due course. Departments were to consider turning their REs into self standing agencies, creating as much flexibility as possible so that the future size of an RE could be tailored to meet its continuing workload. The scope for Departments' commissioning work from these agencies on the basis of competitive tendering was also to be considered (E(ST)(88)3rd Meeting).

2. I have worked closely with the Next Steps Project Manager throughout the exercise so far. This paper gives an interim report on progress and seeks endorsement of a number of actions to make further progress.

Progress of the Reviews

3. All the Departments concerned have begun to review their REs as requested, although most have not yet reached firm decisions. A note on the progress of individual reviews and the position on the establishment of executive Research Agencies is at Annex A. In addition, an announcement has been made about a Defence Research Agency.

Key elements of Review

4. The aim is to improve value for money from the Government's in-house research. Three main strands have so far informed the work. I suggest they continue to inform the remaining reviews:

a) retention in the public sector In all the reviews, the first point to establish is whether or not the skills and facilities have to be provided by the public sector. A decision to privatise one RE - the National Engineering Laboratory - has been announced. More generally privatisation will be reviewed in line with public statements the Government has made on Next Steps Agencies;

b) better matching of research to Departments' requirements All the reviews are considering how to make the Rothschild customer-contractor relationship work more effectively. Most Departments have concluded that the key is to give financial responsibility to an identified customer who will commission research from whoever can best supply it. The customer side of the Department may well need to be strengthened to take on this role;

c) better delivery of research outputs from REs Giving the customer the purse strings requires the RE to manage itself to win business. The reviews have considered what managerial tools are needed for the job.

Competition

5. The sub-Committee also asked me to consider how the work of REs across Government could be rationalised (E(ST)(87)2nd Meeting). I proposed in E(ST)(88)12 paragraph 10 that the best way to proceed was to lift the barriers to competition between REs for work which could not be carried out in industry.

6. Putting the money in the hands of the customers will in itself put REs under some degree of competitive pressure to win business, even if the RE is the only source of supply. But the pressures will be much greater if there are alternative suppliers in the public or private sectors and customers go to open tender. Success in winning business will then be a much more telling measure of performance, although other measures are always likely to be required as well. And to the extent the alternative sources of supply are Government laboratories, competition for business should help to lead, over time, to the rationalisation of the Government's overall investment in these facilities, provided of course the competition proves to be reasonably widespread and to be on a reasonably fair basis. I propose therefore that I should monitor these developments as time passes.

7. There should be scope for additional competition between Government REs (as well as with laboratories in the Higher Education sector and the Research Councils). How much more can only be determined in the light of experience. Many REs already supply services to other Government Departments. Indeed of the £220m or so a year which civil Departments spend at Government REs (including the defence Establishments) about one quarter (£55m) involves work placed by one Department with another Department's RE. Whilst there is little competitive tendering for this work at present, I believe there is scope for additional internal competition on the basis of existing skills and facilities, for example in the field of analytical chemistry, the development of new construction materials and structural testing and information technology.

8. Except where it is clear that there is only one possible supplier, I recommend that commissions for research and the provision of scientific and technical services should normally be subject to competitive tendering and market testing. This should involve private sector contractors as a matter of course, unless

there are concrete and agreed reasons for excluding them. Where appropriate, decisions on competitive tenders can take account of the prospect of forming longer-term supply relationships of the kind which some work requires, particularly that concerned with the provision of technical advice to support policy.

9. To help Departments and Establishments make suitable arrangements where the principles enunciated in this paper are adopted, I have drawn up a set of guidance notes with Departments' help with the aim of ensuring broadly comparable arrangements and thus fair competition between Departments. Proposals which have already been agreed for the establishment of executive Research Agencies are broadly consistent with them. The notes are not intended to substitute for a detailed case by case examination of proposals but to help Departments as they develop proposals and central Departments as they consider them. Indeed the model suggested in these notes is intended to be capable of variation in individual cases.

10. The notes are at Annex B. There are three specific points to which I would draw attention:

a) restrictions on REs' freedom to perform work for the private sector The interests of encouraging a more commercial approach pull one way: declared Government policies on contracting out and reducing the size of the public sector pull the other. The guidance notes (Annex B para 6) suggest a balance can be struck if REs confine private sector commissions to work which enables them to maximise the use of existing facilities and to spread overheads.

b) seedcorn research Establishments need to invest in their continuing scientific capability if they are to stay in business. Rothschild recommended that seedcorn research

should constitute up to 10% of the total work for any Establishment. However, as circumstances will differ according to the sophistication of the research needed, the guidance notes (Annex B para 5 xvi) do not propose a fixed figure. The majority of Departments accept that the best way of financing this seedcorn research is to include its cost in the Establishment's overheads, which are then charged out in contract prices to all customers. I am ready to discuss with Departments how quickly they might move to funding seedcorn research in this way;

c) Defence Research Establishments Special considerations apply to the defence REs, reflecting their primary role in supporting the very extensive defence procurement programme. But the work being done on the establishment of a Defence Research Agency on "Next Steps" lines is being driven by many of the same basic themes as those in this paper. I therefore syggest the guidance should be taken into account wherever appropriate as the plans for the Defence Research Agency are developed.

Actions — This is an action programme already. Needs a programme for further admin-work

11. I recommend that you invite E(ST) colleagues and other Ministers in charge of Departments with REs to:

i. take note of progress on reviews described at Annex A;

ii. endorse the guidance notes at Annex B as an aid to further progress on the reviews and on the basis that their application to individual REs will be considered on a case by case basis;

iii. advance their consideration of untying the remaining REs and arrange for their officials to put proposals for so

doing to the Next Steps Project Manager, the Treasury and myself. Once considered at official level, Ministers should put the proposals to central colleagues;

iv. invite me and central Departments to continue to evaluate progress and achievement periodically, reporting to the sub-Committee as necessary;

v. support the development of a competitive environment involving both Government REs and the private sector and invite the Secretary of State for Education and Science to bring forward proposals on how laboratories in the Higher Education sector and the Research Councils might fit into these arrangements;

vi. invite Departmental Ministers to maintain records of the amount of departmental research subject to competitive tendering; the amount let externally and the proportion of the work of their own REs coming from elsewhere; and to make this information available in order for progress on the development of the competitive environment to be evaluated from time to time;

vii. invite me and central Departments to discuss with Departments a target date for the introduction of these arrangements in the light of the proposals Departments put forward under iii above.

12. I am sending a copy of this minute to other members of E(ST), the Secretaries of State for the Home Department, Employment, Northern Ireland and Scotland, the Minister for Overseas Development and to Sir Robin Butler.

JOHN W FAIRCLOUGH
Chief Scientific Adviser

ANNEX A

CIVIL RESEARCH ESTABLISHMENTS*: STATUS REPORT

DOE Building Research Establishment - Announced as Agency candidate on 24 October 1988. Target date April 1990. The prime feature of a customer/contractor relationship, namely the placing of funding with the customer, has already been established within DOE. The new financial regime for the agency is being finalised and a draft framework document is in preparation.

DTp Transport and Road Research Laboratory - Feasibility study report now being given initial consideration. Options for financial regimes and relationship with Department causing some difficulties, and will require detailed discussion with the Departmental research customers, TRRL staff, and outside experts including the Visitors. The Department's objective is to identify the optimum arrangements for the future management of the research programme; the suitability of TRRL for agency status will be assessed in that context.

MAFF ADAS Central Veterinary Laboratory - Proposals to establish it as a single Agency.

ADAS Research and Development Service - Proposals for agency status to be considered later when major reorganisation of near market research complete. A proposal to merge the

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NOTE * REs are taken to be not only those operational units engaged principally on R&D but also the various Government laboratories providing wider science and technology support services of which R&D is a component.

Experimental Horticulture Stations with the AFRC Institute of Horticulture Research is also being considered. Agency status for the new joint body is one option.

Food Science and Fisheries Research Laboratories - Reports on preliminary studies were put to Ministers last year but Agency status is unlikely to be pursued at this stage.

Torry Research Laboratory - Future organisation, including possible Agency status, to be reconsidered in 1991/92.

HO Forensic-Science Service - Announced as Agency candidate on 23 May.

DTI National Engineering Laboratory - To be prepared for eventual privatisation.

Warren Spring Laboratory - Launched as an Agency on 20 April 1989.

Laboratory of the Government Chemist - Already declared as Agency candidate. Detailed proposals will follow on from WSL.

National Physical Laboratory - Already declared as Agency candidate. Detailed proposals will follow on from WSL.

DE HSE Research and Laboratory Services Division - the Department is committed to examine possibility of agency status for the HSC/HSE as a whole.

ODA National Resources Research Institute - Feasibility study currently underway is likely to favour Agency status. Ministerial decision in principle due shortly.

SO Marine Laboratory, Freshwater Fish Laboratory - Fisheries

Research Services is one of areas of work currently being examined for Agency status. Proposals have not yet been out to Ministers and there is no firm timetable for reaching decisions. DAFS will have regard to keeping in step with MAFF since the fisheries and aquatic environment programme is coordinated on a GB basis.

Agricultural Scientific Services - Under consideration but no decision likely before autumn 1989 at the earliest.

ANNEX B

GOVERNMENT REs; COMMISSIONING AND COMPETITION; GUIDANCE NOTES

1. These guidance notes are intended to help Departments formulate proposals to introduce tighter customer-contractor relationships with their REs (both civil and defence) and to remove barriers inhibiting fair competition between them for business. These proposals would normally be expected to lead to the establishment of the REs as Next Steps Agencies. But taut commissioning arrangements and improved management efficiency are just as important for REs in their present form.

2. The guidance notes cover the arrangements required in the Department itself, as customer and owner, as well as in the RE or Agency as contractor. The term Research Establishment (RE) covers not only those operational units engaged primarily on R&D, but also the various Government laboratories providing wider scientific and technical support services of which R&D is a component. The notes are divided into four sections:

- the Department as customer
- the Department as owner
- the Research Establishment/Agency as contractor
- competition with the private sector.

The Department as Customer

3. Departmental Customers should:

i. hold the budget and be accountable for the volume and nature of the research commissioned and the scientific and technical support services purchased to meet their policy and operational requirements; and take

responsibility for paying suppliers for agreed work at an agreed price;

ii. have and systematically exercise real freedom of choice on what work to commission and where to place it within the public and private sector;

iii. develop mechanisms to become an intelligent customer both for short and longer term work, without unnecessarily duplicating scientific skills in the RE/ Agency;

iv. establish links and dialogue with various suppliers of services in order to translate broad requirements into agreed detailed contract specifications;

v. be informed on alternative sources of supply with whom to establish such links and to place work; and circulate to them information on forward requirements;

vi. ensure that all work is open to private and public suppliers alike, unless there is clearly only one possible supplier or there are concrete and agreed reasons for not so doing. Competitive tendering procedures which avoid favouring one supplier against another should form the normal mechanism for placing work unless there are significant cost or wider value-for-money considerations that justify single tender action.

The Department as Owner

4. The Departmental Minister is ultimately responsible for the good management of the RE/Agency. The machinery put in place to oversee a more arms length customer-contractor relationship should:

vii. be responsible for setting overall measures of

performance, including a financial target, and for monitoring success towards their achievement;

viii. maintain a clear separation between the line management responsibilities for the Department's ownership and customer functions so as not to compromise the customer-contractor relationship;

ix. monitor annually the application of these guidelines to ensure their implementation in the context of ensuring that the Department's policies are being carried out effectively and efficiently;

x. where an Agency is established, give the Chief Executive the right of direct access to the responsible Minister.

The Contractor, the Research Establishment/Agency

5. The main components of arrangements for an arms length contractor should be:

xi. a financial target, agreed on a case by case basis, perhaps initially based upon cost recovery with an element of capital depreciation, which moves in a pre-planned and progressive way onto a basis reflecting real rates of return on capital assets employed, consistent with the Government's published discount rates;

xii. finance coming from contractual receipts;

xiii. access to capital finance (e.g. through a Trading or Agency fund);

xiv. pricing policy based on the recovery of full economic

costs, consistent with guidance on pricing conventions;

xv. valuation of capital assets to be kept under review and consistent with existing guidance, so as to ensure a fair element of depreciation in charges. The appropriate Treasury Expenditure Group should be advised of proposals for asset valuation and pricing policies so that any divergence from generally agreed principles can be identified and discussed;

xvi. contract prices to customers to include an element for seedcorn research, calculated on an equal proportionate basis between all contracts, the level of the overhead to be decided between, and kept under review by, the RE Agency and the Department as owner, taking account of the type of scientific skills involved and the costs of maintaining long term vitality (10% is probably the upper bound of what is required and may be a fair measure of the maximum that the market will bear);

xvii. arrangements for disposal of capital and fixed assets to be considered on a case by case basis;

xviii. greater delegation of responsibilities for manpower management and personnel requirements.

These are the main tools the Chief Executive of a Research Agency fully subjected to competition will require if he is to become accountable for the efficient management of the resources involved. Many of the points are relevant to the good management of REs even if they do not become Agencies. Individual proposals will have to be considered case by case but the development of a fair internal market will be assisted if the arrangements on these points are broadly comparable.

Competition with the Private Sector

6. Whilst a heavy private sector work-load will usually point to privatisation, so long as an RE remains in the public sector, the following broad rules should be applied when engaging in work for the private sector:

xix. the work should be consistent with the RE's overall remit, as laid down, for example, in its Policy and Resources Framework Document if it is an Agency (and in its Corporate Plan also if applicable);

xx. work for the private sector should not cause long-term diversion of resources from, or otherwise impede, work for Exchequer customers;

xxii. work for the private sector should not normally require major investment in new capital facilities and assets (except where they are wholly financed by the client) above those required to service public sector customers.

NBPM

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

10 July 1989

Dear Nick

REORGANISATION OF COUNTRYSIDE BODIES

Thank you for your letter of 3 July indicating that you intend not to proceed for the present with the idea of a merger between the Rural Development Commission and the Countryside Commission in England, and seeking H Committee's agreement to the terms of your proposed announcement about the reorganisation of the Nature Conservancy Council and of the Welsh and Scottish elements of the countryside commissions.

Peter Walker and Malcolm Rifkind wrote agreeing to your proposals and putting forward their own draft statements to accompany your announcement. Peter Walker asked for the final sentence of paragraph 3 of your draft announcement to be amended or omitted.

I wonder whether it would be possible to find a form of words to replace the final sentence of the first paragraph which could make the point effectively without causing any unnecessary offence?

No other colleague commented and you, Peter Walker and Malcolm Rifkind may take it, therefore, that H Committee are content with the proposals and with the terms of the proposed announcement.

I am copying this letter to the Prime Minister, members of H Committee, Sir Robin Butler and First Parliamentary Counsel.

Yours ever

JOHN

JOHN WAKEHAM

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment

cc PM

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon John Wakeham MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1

6 July 1989

REORGANISATION OF COUNTRYSIDE BODIES

Will request if req'd

I have seen Nicholas Ridley's letter of 3 July to you circulating a revised draft of the announcement he proposes to make on the reorganisation of our countryside bodies.

I am content with the draft and grateful to Nicholas for agreeing that it should be made in the week beginning 10 July.

I attach a copy of the announcement I propose to make about my proposals for Scotland. Like Nicholas I intend to make the announcement by written PQ. I also propose to hold a lobby briefing to publicise my consultation paper (also attached) which I shall publish on the same day.

Copies go to the Prime Minister, members of H Committee and Sir Robin Butler.

J Saville

pp **MALCOLM RIFKIND**

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

Encs

HMP187L1.042

DRAFT PQ

ORGANISATION OF COUNTRYSIDE BODIES

SIR HECTOR MONRO: To ask the Secretary of State for Scotland, for his views on the present organisation of the statutory agencies responsible for nature conservation and countryside in Scotland, and if he will make a statement.

MALCOLM RIFKIND:

My right hon Friend the Secretary of State for the Environment has today announced our intention to reorganise the agencies responsible for nature conservation and countryside matters in Great Britain.

With the growing interest and concern in all aspects of our environment, I am clear that we need a more integrated approach to nature conservation and countryside matters in Scotland. Our scenery, habitats and wildlife - indeed our natural resources as a whole - are priceless assets and they have characteristics which are distinctive to Scotland. We must ensure that we protect and manage them wisely. To achieve this the machinery of Government should be organised effectively and be on a basis which can best take account of Scottish conditions. I consider that the establishment of a single body with responsibility for the natural heritage in Scotland is the right approach. A single agency could take a more comprehensive view of the many issues presently facing us and help secure our natural heritage, resources and countryside for the benefit of future generations. The experience and expertise of the existing agencies will complement each other in this task, giving an integrated approach to conservation and countryside matters in Scotland.

I propose to create such an agency in two stages. First as my right hon Friend has announced, legislation will be brought before

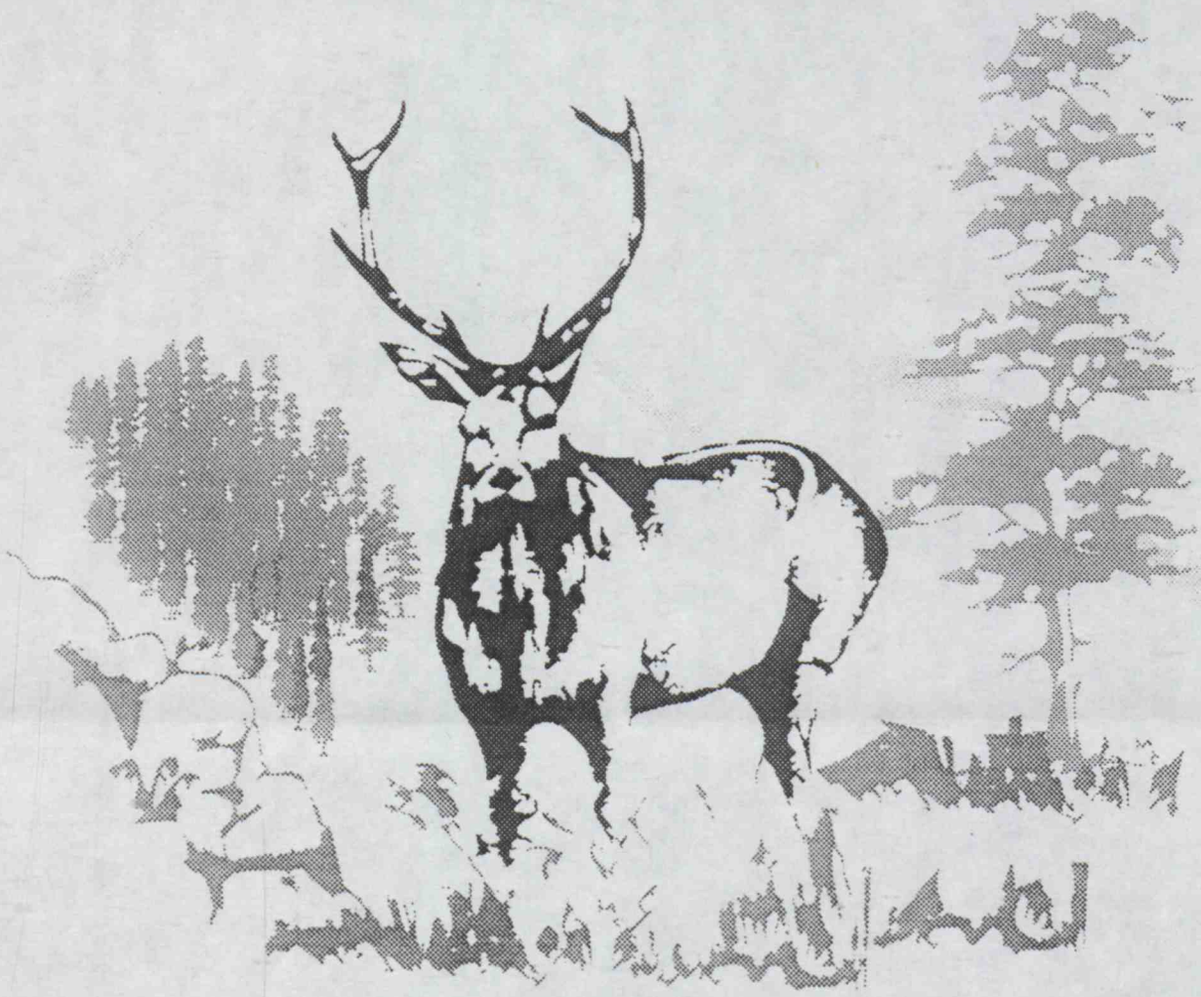
the House at the earliest opportunity to establish a separate Nature Conservancy Council in Scotland. The Government will ensure that the new Scottish body is fully equipped to continue to carry out its present duties towards nature conservation. I would then bring forward a Scottish Bill to merge the proposed Scottish Nature Conservancy Council with the Countryside Commission for Scotland to create a single natural heritage body. I would appoint its members and it would report directly to me. The new body will have full executive responsibility for its work in Scotland and be sponsored by my Department. Our proposals represent a significant change from present arrangements. They will result in substantial improvements in the effectiveness, accountability and, most important of all, in the sensitivity of administration in the vital task of conserving and managing Scotland's natural heritage.

I am publishing a consultation paper inviting views on the principles of these proposals. I hope there will be a large and positive response.

SCOTTISH OFFICE

SCOTLAND'S NATURAL HERITAGE

a consultation paper



Scottish Development Department

July 1989

OTLAND'S NATURAL HERITAGE: A CONSULTATION PAPER

1. The Government has announced major proposals to bring together responsibility for countryside and nature conservation matters within a new Scottish body to be created by merging the Countryside Commission for Scotland and the Nature Conservancy Council in Scotland. The new body will be based in Scotland and responsible to Scottish Ministers. This paper invites views on these proposals.

2. The proposals will improve the effectiveness of the Government's policies for the conservation and management of Scotland's distinctive natural heritage. They will also increase the sensitivity of administration by concentrating responsibility in a single body, based in Scotland and accountable to the Secretary of State for Scotland.

Scotland's Natural Heritage

3. Scotland's natural heritage is distinctive. We have a great diversity of wildlife, habitats, scenery and land uses. More than half the land area is mountainous, with the highest ranges in the British Isles. The extended coastline and the numerous islands are rich in wildlife, both on land and in the coastal waters, with their wealth of sea birds and marine life. For these and other features Scotland is justly famous at home and abroad for its beauty.

4. The pronounced differences between Scotland ~~and~~ England and Wales in wildlife, the nature and scale of the landscape, and the patterns and forms of land use, pose many different and particularly Scottish problems demanding different perspectives and solutions.

5. Much of our wildlife and habitat is more akin to that of Scandinavia than other parts of the United Kingdom. This is especially true of the Scottish Highlands and Islands. There, for example, the mountain plateaux with their ptarmigan and other arctic-alpine fauna and flora, the native woodlands with capercaillie, Scottish crossbill, pine marten and wild cat, the peatland "flows" with their concentrations of rare waders, the deer forests and moorlands, which support all but a few of Britain's

golden eagles, the machair grasslands, and the crofting lands and townships - the last haven in Britain of the corncrake - all contribute to Scotland's unique wildlife diversity and heritage.

6. Scotland's characteristic diversity of wildlife is complemented by, and is partly the result of, its equal diversity of land forms, geology, land uses and scenery. The varied tapestry of Scotland includes the rolling grassy sheep walks of the southern uplands, the heather moors of Perthshire and the northwest, the grandeur of the Cairngorms, and the bleak wild areas of the Caithness 'flows'; these and the magnificent intermingling of sea, moor and mountain in the northwest Highlands and Islands all contribute to Scotland's unrivalled variety of scenic experiences within what is internationally a small country.

7. More than half of Scotland's area is high quality habitat for wildlife. But people live and work in this land. Much of our countryside has been shaped by the hand of man, probably over 99 per cent of its area. Over 10,000 years ago hunters followed the retreating ice in search of game and people have lived in Scotland continuously since then. A large part of our natural heritage is thus a legacy of human interaction with nature. It is impractical to designate all of it as protected areas. Indeed, this is not desirable. Much of the diversity of our wildlife on our moors and machair depends on continuing those land uses and management practices which originally created it.

8. Our use and management of land has changed over the years. Those changes are continuing. Agricultural support policies are being reformed. Farm businesses are being diversified. Opportunities for use of natural resources through forestry, fish farming, and tourism are all important for the continued well being of our rural communities. However, these changes have the potential to bring profound changes to the Scottish countryside. If we are not to lose priceless assets, the environment must be handled with care and sensitivity. More important, those responsible for countryside and conservation matters must be able to take a rounded, integrated view.

The Government's Priorities

9. The Government's aim is to continue to protect and manage Scotland's natural heritage while ensuring that people can enjoy it and continue to live and work in it. To achieve this the Government has developed a range of policies and initiatives. The Wildlife and Countryside Act 1981 was passed to strengthen the powers for protecting species and habitats. Almost 1200 Sites of Special Scientific Interest (SSSIs) have been notified or renotified under the Act. The habitats thus protected are representative of the major types found in Scotland. The Act also improved protection of species. In Scotland we lost through hunting and habitat change the aurochs, bear, beaver, lynx, moose, reindeer, wild boar and most recently the wolf. Now we are encouraging the reintroduction of species: for example sea eagles and red kites. The 1981 Act also fulfils our obligations under European law and international treaties. The UK system of nature conservation is one of the most comprehensive in the world and will be maintained and improved.

10. The Government has also taken a number of specific initiatives in Scotland to protect and enhance our distinctive natural heritage. These include:

- the Central Scotland Woodlands Initiative: the Government has created a new company with the involvement of CCS to harness public and private sector resources and skills in improving the environment and employment prospects of Central Scotland by developing new woodlands;

- Regional Indicative Forestry Strategies: the Government is encouraging Regional Councils to prepare indicative forestry strategies which will identify suitable land for forestry and safeguard sensitive areas;

- Review of Popular Mountain Areas by CCS: this Government inspired review is examining options, such as national parks, for protecting and managing key mountain areas;

- an aerial photographic survey of the whole of Scotland: the results will be analysed and digitised to provide a comprehensive data base on Scotland's land cover;

- Environmentally Sensitive Areas: 5 ESAs have been designated in Scotland to encourage agricultural methods which maintain or improve the conservation value of the area.

Such initiatives represent important steps in the process of developing and implementing policies to ensure that Scotland's natural resources and environment are fully protected and managed within the broad framework of the World Conservation Strategy and the World Commission on Environment and Development (the Brundtland Report) which set out the principles of sustainable growth.

11. In the light of changing circumstances and attitudes, the Government's immediate priority is to devise the best organisational structure to provide effective and sensitive implementation of its conservation and environmental policies. Implementation of these policies rests mainly with 2 statutory bodies: the Countryside Commission for Scotland (CCS) and the Nature Conservancy Council (NCC). It is 21 years since the CCS was established and 40 years since the NCC was set up in its original form. Both have carried out their functions diligently, but a great many changes have occurred in our rural areas, natural environment and attitude towards them since the bodies were created. The Government has therefore reviewed the present organisational arrangements and believes they can be improved to account for the changed circumstances and pressures of today.

GOVERNMENT PROPOSALS

12. The Government announced on July its decision to reorganise the administration of nature conservation and countryside matters in Great Britain. A two-stage reorganisation is proposed for Scotland.

13. In the first stage, the Government have announced that legislation will be brought forward shortly to establish three nature conservation

lies in England, Scotland and Wales by substituting the present Nature Conservancy Council. The conservation duties, functions, responsibilities and powers of the present Council under the 1973 and 1981 Acts will remain unchanged but will be exercised by a separate Nature Conservancy Council for Scotland. It will report to the Secretary of State for Scotland who will provide the resources for its operation direct and appoint the Chairman and members of its Council. The Government believe that these changes would achieve more sensitive results by taking more account of differences in local conditions between different parts of Great Britain.

14. In the second stage, the Government would propose, following the response to this consultation document, to bring forward legislation to merge CCS and the new Scottish NCC to form a single natural heritage agency for Scotland as a whole. The new body would have similar duties, functions, responsibilities and powers to its predecessors, both of which were concerned with the preservation and enjoyment of our natural heritage. [Further details on them are given in **Annexes A** and **B**].

15. The Government believes that a single body responsible for all aspects of countryside and conservation is the best solution for Scotland. Our natural heritage is unique not because of one or a few special features, but because of the variety of habitats, species, and land forms concentrated in a relatively small country. Those responsible for conserving our heritage need to be aware of the complex interaction between flora, fauna, scenery and human activity. Most of Scotland's wildlife will always exist in the wider countryside, outwith protected areas. A single body, formed by merging CCS and NCC (Scotland) would be well equipped to consider and advise on such wider issues. It would speak with one voice to one Secretary of State.

16. The Government also believes that merging the conservation and countryside bodies would provide significant organisational advantages. The experience and high quality of expertise of the existing agencies would complement each other within the new framework. Bringing together staff from a wider range of disciplines than are available to either of the existing bodies, would enable policies to be better informed.

The existing network of Nature Conservancy Council offices would ensure that the new agency could act effectively throughout the country and provide an integrated approach to conservation and countryside matters. Merger would form a new and stronger body, able to determine its own priorities and policy within the terms of the existing legislation. It would give a new and sharper focus to issues affecting the natural environment in Scotland. The Chairman and Board members would be appointed by the Secretary of State and its funding would be provided by the Scottish Office. Arrangements would be made for the merger of the existing bodies over a transitional period. It is envisaged that a central headquarters would be established together with a series of regional offices.

International Obligations

17. In pursuing this reorganisation, the Government will fulfil its international obligations as signatories of the Berne, Bonn and Ramsar Conventions. In keeping with these responsibilities, the Government will continue to safeguard unique and representative habitats and species through appropriate designation.

CONCLUSION

18. The Government believes that the need to safeguard our distinctive heritage requires a distinctive Scottish solution. This lies at the heart of the Government's proposals for a new single all-purpose body responsible for the natural environment. It will -

- integrate protection for landscape and wildlife;
- encourage better management of our natural resources to ensure that the benefits are preserved for future generations;
- ensure that local circumstances are fully taken into account in specific cases.

The Government believes that this initiative is opportune and will be widely welcomed in Scotland. For a number of years many people with a deep feeling and concern for our natural heritage have promoted the idea of a single Scottish agency. The time is now right to bring these ideas to fruition and the Government hope that there will be a large positive response to these proposals.

YOUR RESPONSE

20. Comments on these organisational proposals should be sent to Rural Affairs Division, Scottish Development Department, Room 6/62, New St Andrew's House, Edinburgh EH1 3TA. Comments should be received by 30 September 1989. Additional copies of this paper are available from the above address.

21. A public file of all comments will be available for inspection at the above address. If respondents wish their comments, or any part of their comments, to be treated in confidence they should clearly state this in submitting them.

SCOTTISH DEVELOPMENT DEPARTMENT
June 1989

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WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 0538 (Direct Line)
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

5 July 1989

REORGANISATION OF COUNTRY BODIES

Thank you for copying to me your letter of 3 July to John Wakeham.

I accept your judgement on the best way forward in dealing with the Rural Development Commission as set out in your letter. I am also content with the terms of your draft announcement subject only to one minor suggestion. As presently drafted the last sentence of paragraph 3 could probably be omitted altogether; otherwise it should also refer to the Nature Conservancy Council.

... I am enclosing a draft of my own statement for the information of you and copy recipients.

/ Copies of this letter go to the Prime Minister, John Wakeham and members of H Committee, and to Sir Robin Butler.

The Rt Hon Nicholas Ridley MP
Secretary of State for the Environment
Department of the Environment
2 Marsham Street
LONDON SW1P 3EB

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DRAFT STATEMENT BY THE SECRETARY OF STATE FOR WALES

REORGANISATION OF COUNTRYSIDE BODIES

My right hon Friend the Secretary of State for the Environment has today announced our intention to reorganise the agencies responsible for nature conservation and countryside matters in Great Britain. Legislation will be brought before the House at the earliest opportunity to give effect to the proposed organisational changes.

Responsibilities for nature conservation and countryside matters in Wales are currently undertaken by the Nature Conservancy Council and Countryside Commission. These agencies are funded by my rt hon Friend the Secretary of State for the Environment. My rt hon Friend and I are agreed that the present functions of these two agencies in Wales should in future be exercised by a single separate Welsh body appointed by and directly responsible to me. This new body will incorporate the functional responsibilities of the present offices in Wales of the Nature Conservancy Council and the Countryside Commission with full executive authority for its work in Wales compared to the current advisory role of the two committees for Wales. This will give continuity to much of the work now carried out by the existing organisations and provide valuable expertise for the new body. It also means that decisions affecting Wales will in future be taken in Wales. A single body attuned to the needs of the Principality will be of undoubted benefit to Wales.

The proposals represent a significant change in arrangements and should result in improvements in the efficiency, accountability, and above all the sensitivity of administration for conserving and managing the unique natural assets of Wales. The arrangements should also ensure that full regard is given to the protection of the environment without damage to our natural resources.

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref

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Prime Minister
Content with the timing and statement?
Mr Walker has written to say he is and his draft statement 3 July 1989 is also attached.
The Chairman of the NCC has written to you yesterday about the division of the NCC into separate bodies for Wales and Scotland.
I am asking for advice about how to respond.

The Rt Hon John Wakeham MP
Lord President of the Council
Privy Council Office
68 Whitehall
LONDON
SW1

Dear Lord President,

REOGANISATION OF COUNTRYSIDE BODIES

CPS 5/7

At its meeting on 22 June, H committee agreed that our proposals for reorganisation represented a general move in the right direction, but expressed concern about the presentation of some sensitive issues and asked me to circulate a revised draft statement for clearance in correspondence. The Prime Minister has also subsequently commented on the timing and presentation of a merger between the Rural Development Commission and the Countryside Commission.

I recognise the force of colleagues' concern about the considerable effort that would be needed to put across the arguments for such a merger successfully and avoid misconceived criticism. While therefore I continue to believe that the balance of advantage is in favour of such a merger, as the way to achieve an integrated policy for the English countryside and better value for money, I accept that it would be better not to proceed any further on this front at present. Instead we shall concentrate on the discussions we have already initiated with Nigel Vinson about introducing private finance into the factory-building programme the Rural Development Commission operates through English Estates and about the possibilities for disposing of the existing portfolio.

None of these considerations apply to the proposed reorganisation of the NCC with which colleagues were generally content. Information reached both Scottish and Welsh members of the NCC last week, who promptly told the Chairman, who was still in ignorance. It has therefore been necessary for me to tell Sir William Wilkinson and a few other key people what is proposed. This has now made it essential that there should be early announcements of our intentions.

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I enclose a draft of the announcement I would now propose to make for this purpose, which will be accompanied by announcements by Malcolm Rifkind and Peter Walker. Ideally these would all be made this week, but I understand that Malcolm has reasons for delaying an announcement about Scotland until the week beginning 10 July. I therefore seek the agreement of colleagues to my making a statement on these lines early next week.

I am copying this letter to the Prime Minister, to members of H Committee and to Sir Robin Butler.

CEJ Bush

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

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DRAFT STATEMENT BY THE SECRETARY OF STATE FOR THE ENVIRONMENT

REORGANISATION OF COUNTRYSIDE BODIES

The Government is concerned to improve the way we handle the conservation of wild fauna and flora and the countryside. There are great differences between the circumstances and needs of England, Scotland and Wales in this respect. The present organisational arrangements do not match these differing requirements. The Nature Conservancy Council is responsible for nature conservation throughout the whole of Great Britain. The Countryside Commission is responsible for conserving and enhancing the natural beauty of the countryside in England and Wales, while there is a separate Countryside Commission for Scotland. There are increasing feelings that these arrangements are inefficient, insensitive and mean that conservation issues in both Scotland and Wales are determined with too little regard for the particular requirements in these countries.

We have therefore concluded that the functions which the Nature Conservancy council at present exercises throughout Great Britain and the functions which the Countryside Commission exercises in

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England and Wales should be exercised in future by separate bodies for England, Scotland and Wales. My Rt Hon Friends the Secretaries of State for Scotland and Wales have decided that the nature conservation and countryside functions should be the responsibility of a single body in each country. They are making parallel statements about their detailed plans today. The Government believes that combining these responsibilities in one body for Scotland and one for Wales, will allow a more comprehensive approach to pursuing the special inheritances of wildlife and natural beauty in these two countries.

We have also considered what would be best for England. In view of the much greater density of population and consequent pressure upon the land, we believe it would be right to maintain the Nature Conservancy Council and the Countryside Commission as separate bodies in England. The Countryside Commission will lose its present responsibilities for Wales.

I shall continue to be responsible for representing the United Kingdom's interests on nature conservation matters within the European Community and under international conventions. Arrangements will be made for all the necessary advice to continue to be available to me for that purpose.

These changes require legislation, which we shall bring forward at the earliest opportunity, and which will be confined to organisational matters.

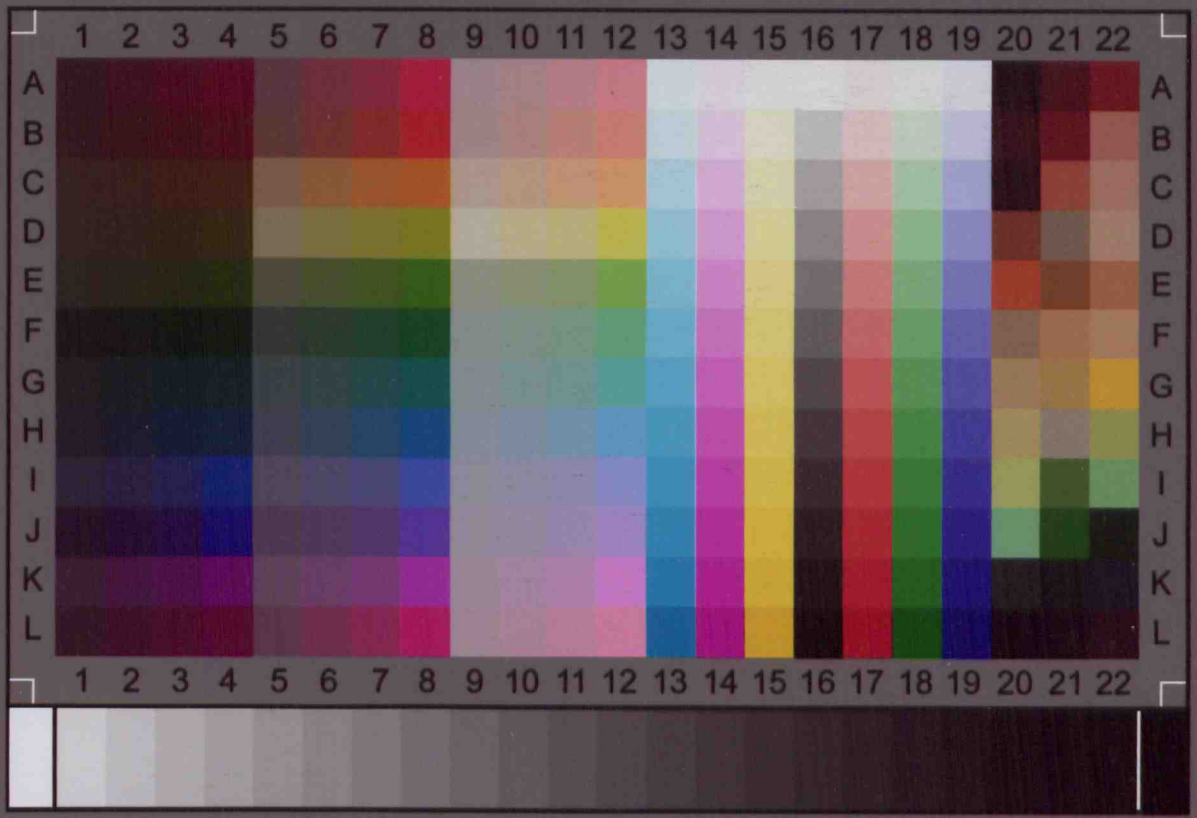
I should like to pay a warm tribute to the manifest achievements of the chairmen, members and staff of the Nature Conservancy Council and the Countryside Commission. We have the most comprehensive administrative arrangements for dealing with countryside issues anywhere in the European Community, and perhaps the world. It has become clear that these arrangements will be even more effective if they can take more account of differences in local conditions between different parts of Great Britain. These proposals will achieve that.

PART 30 ends:-

AT to DTI. 30.6.89

PART 31. begins:-

SS/DOE to UPC. 3.7.89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