

PREM 19/3017

PART 32

CONFIDENTIAL FILING

The Rayner Programme
Promotion of Efficiency and Waste
The Scrutiny Programme

GOVERNMENT
MACHINERY

PT1: May 1979

PT32: November 1980

In attached folder: [MAFF VFM Seminar Booklet] [AF AND NEXT STEPS] [4TH REPORT]

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
6.11.89							
16.11.89							
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OVERSEAS DEVELOPMENT ADMINISTRATION
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Telephone 01-273 0409

From the Private Secretary

28 February 1990

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON SW1

Dear Charles, Paul.

*NBPM
RAC6
9/3*

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS ACTION PLAN

Mrs Chalker has seen the Chief Scientific Adviser's minute of 20 February, and is content with the proposed Action Plan.

As the draft Action Plan indicates, the Overseas Development Natural Resources Institute (ODNRI) will be launched as an Agency on 1 April 1990. A formal customer-contractor relationship has existed between the ODA and the ODNRI since 1984, and most of the Guiding Principles for an internal market will be introduced by April 1990.

*Yours sincerely,
Myles A. Wickstead*

(M A Wickstead)
Private Secretary

570

dti

cc pu

the department for Enterprise

CONFIDENTIAL

PRIME MINISTER

NR
RAC 6/3

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS ACTION PLAN

I have seen Sir John Fairclough's report to you on 'Next Steps' and competition at Government Research Establishments. I wholly endorse this report. Sir John's proposals for 'Next Steps' disciplines, the separation of customers and contractors and the introduction of fair competition should lead to significant improvements in the value money from expenditure on scientific research required by Government.

The two Research Establishments which have so far been established as Executive Agencies are both within my Department. The DTI has made substantial progress in implementing all the guidance in the notes which accompany Sir John's report. I am confident that DTI will be fully prepared for the internal market in research due to commence in April 1991.

I am copying this to recipients of Sir John's minute.

NR

NR

28 February 1990

DEPARTMENT OF TRADE AND INDUSTRY

JW3AJC



SC1413t

*CEFO**refer page 9/3*

Prime Minister

GOVERNMENT RESEARCH ESTABLISHMENTS: NEXT STEPS ACTION PLAN

Sir John Fairclough copied his minute of 20 February ^(with PE?) about Government Research Establishments to me.

My Department is not directly involved in the exercise to examine the feasibility of turning Government Research Establishments into Next Steps Agencies, but I support the conclusions Sir John invites E(ST) to reach in paragraph 16 of his minute.

I am copying this to other members of E(ST), David Waddington, Michael Howard, Malcolm Rifkind, Lynda Chalker, Richard Luce, Sir Robin Butler and Peter Kemp.

L

28 February 1990

KC

Govt Mach. Royce 1432



UNCLASSIFIED



Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
 Private Secretary
 10 Downing Street
 London
 SW1

27 February 1990

Dear Andrew

MOD: THE 2½ PER CENT EFFICIENCY PROGRAMME

The Chief Secretary has seen a copy of the Secretary of State for Defence's minute of ^{AAP} 15 February to the Prime Minister, enclosing the latest progress report on the Ministry of Defence's 2½ per cent efficiency programme.

2. The Chief Secretary welcomes the proposal in the report to set targets from 1991-92 to 1994-95 aimed at maintaining the current rate of efficiency improvement, of 2½ per cent a year, as an average over this period.

3. He has noted the Secretary of State's reference to international events and the possibility of substantial change and turbulence in the defence programme. In keeping targets under review in such a situation, it would be necessary to establish which parts of the programme were actually affected by change.

4. The Chief Secretary welcomed the inclusion in the report of examples of the sort of measures which have been identified. However, he thought it would be helpful to be able to put these in context. This could be done by including in future reports some analysis of the ways in which more efficiency is being achieved (in terms of the main categories of management action, for instance civilianisation, contractorisation); a commentary on experience to date, including where the drive for greater efficiency has been particularly successful and where more remains to be done; and a forward-looking assessment of how the Department intends to achieve more efficiency in the future (taking account for instance of Government-wide initiatives).

5. There have been discussions between MOD and Treasury officials from time to time on these and other issues. The Chief Secretary hopes that Treasury officials will be kept in close touch with developments in the programme - including MOD's systems for validating efficiency measures.

6 I am copying this letter to Sir Robin Butler and Sir Angus Fraser.

Yours
 Miss C Evans

MISS C EVANS

GOST MACH : Kawan P32



COMPLIMENT



PRIME MINISTER

MOD: THE 2½ PER CENT EFFICIENCY PROGRAMME, THIRD REPORT

At the VFM Seminar in June last year, MoD originally proposed that after three years of 2½ per cent efficiency improvement, the target for 1991-92 and 1992-93 should provisionally be set at only 1½ per cent. They argued:

- (a) the easy savings had been made
- (b) in 1991-92 MoD's attention would be on putting the New Management Strategy into place.

You objected to (a) on the grounds that everywhere else in the world improving efficiency is seen as a continuing rather than a finite process, and that NMS should provide the means to secure greater efficiency. You partially accepted (b) but argued that if the improvement was less in 1991-92 the short fall could be made up in subsequent years.

Mr. King has now provided his latest report - Flag A. This shows that in 1988-89 the target was over fulfilled. While the savings estimated for 1989-90 currently fall slightly below the target, every effort is being made to achieve it. For 1990-91 achieving the 2½ per cent target implies further savings of £310 million bringing the cumulative total to £930 million. This is described as "a stiff task" but MoD do not resile from it.

For the later years which were earlier in dispute MoD now propose 1½ per cent in 1991-92, 2½ per cent in 1992-93, and 3 per cent in 1993-94 and beyond.

The Efficiency Unit - Flag B, and the Chief Secretary - Flag C, accept that this meets your objectives. The Chief Secretary has also made some useful suggestions for making future reports more informative.


Content both with the progress report and the targets set?

Yes no

Mr. King has noted that international events may mean that these targets have to be kept under regular review. Sir Angus Fraser argues that this should not be allowed to weaken the commitment to the efficiency targets.

AF

(ANDREW TURNBULL)
28 February 1990
a:\pps\MoD (srw)


CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

NBPM
CAS

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

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

C90/1338

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

27 February 1990

Dear Nicholas,

PATENT OFFICE

Thank you for your letter of 23 February seeking agreement to the launch of the Patent Office as an Executive Agency on 1 March. I am content with this and with the framework document enclosed with your letter.

I note that your letter, the framework document, and your foreword to it all stress the need for the performance of the Patent Office to be measured in terms of quality of service as well as efficiency. I welcome this, as it is clearly important that the Patent Office, which has such a valuable role to play in encouraging enterprise, should have objectives and targets geared towards improvements in the quality and value for money of the services it offers.

Like you, I hope that it will be possible, in the light of the legislation currently going through Parliament, for the Agency to move to a trading fund regime as quickly as possible. As you note, if the Patent Office is to operate outside the Vote Accounting System, it needs to have a Management Accounting System which measures up to Treasury requirements. It makes sense, therefore, for your officials to work closely with the Treasury with the aim of ensuring that a system can be in place to allow for establishing the trading fund from 1 January 1991.

I welcome the appointment of Paul Hartnack as the Chief Executive of the Patent Office. I am sure his performance to date in preparing the Agency for launch will stand him in good stead for what will be a challenging future.

I am copying this letter to recipients of yours.

RICHARD LUCE

Richard

GOVT MACH. RAJWADE PR 32





10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 February 1990

Dear Rosalind,

ESTABLISHMENT OF THE PATENT OFFICE AS AN EXECUTIVE AGENCY

The Prime Minister was grateful to see a copy of your Secretary of State's letter of 23 February to the Minister for the Civil Service. The Prime Minister commented that she is very pleased that the Patent Office is being established shortly as an Executive Agency; and welcomes the proposal for it to become a trading fund as soon as practicable in 1991.

I am copying this letter to Carys Evans (Chief Secretary's Office, H.M. Treasury), Martin Le Jeune (Office of the Minister for the Arts), Sonia Phippard (Cabinet Office) and Peter Kemp (Cabinet Office).

Yours sincerely,

Caroline

CAROLINE SLOCOCK

Ms. Rosalind Cole,
Department of Trade and Industry.

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
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Direct line 01 215 5622
Our ref PB5AAT
Your ref
Date

23 February 1990

Dear Minister,

Prime Minister ①
Agree to welcome the
new Agency; and the
proposal at ② for it
to become a Trading Fund? Yes -
very pleased
not

You do not need to read the
Framework document attached.
CAS 23/2

ESTABLISHMENT OF THE PATENT OFFICE AS AN EXECUTIVE AGENCY

Subject to your agreement and that of the Chief Secretary to the Treasury, it is my intention to establish the Patent Office as an Executive Agency on 1 March. I enclose a copy of the draft policy and resources Framework Document which has been cleared by OMCS and Treasury officials in line with the procedures for establishing Agencies. We have also consulted the DTI Trade Unions on its contents.

The Patent Office will enjoy greater managerial autonomy to go with its enlarged responsibilities on becoming an Executive Agency. I believe that the Patent Office should move as quickly as possible to a trading fund regime. As a trading fund, the Patent Office will be able to adjust its size in line with demand for its services and to finance investment through fee income or borrowing. It is not possible under the existing legislation for the Patent Office to become a trading fund: the Government Trading Bill, which is currently under consideration by Parliament, will change this. I am pleased that Treasury officials have been able to agree that there should be a commitment in the Framework Document to the establishment of a trading fund as soon as practicable in 1991.

The timing of the establishment of the trading fund will depend on the Patent Office developing a fully proven accruals-based management accounting system. Its financial year should also be brought into line with statutory requirements to report to Parliament on a calendar basis. I hope to see the fund established in January 1991.



Recycled Paper

The Framework Document establishes new arrangements which will help the Patent Office provide an improved service to its customers and provide better value for money to the taxpayer. Accordingly I propose to set performance targets which will require the Patent Office to increase its efficiency by four per cent a year over five years whilst improving the quality of service.

The Patent Office is re-locating to South Wales. Much of the Patent Office's work is likely to be disrupted during this re-location which is due to be completed in September 1991. I, therefore, expect most of the efficiency gains to accrue towards the end of the five year period. The re-location itself is expected to produce substantial running cost savings. However, the quantum of the savings will depend on the actual rental of the Newport building. As this is not yet settled, I do not intend to announce a target for savings from relocation.

The Chief Executive of the Agency will be Paul Hartnack. He was appointed Comptroller General and Chief Executive (Designate) last October following an open competition. Paul Hartnack is 47 and is a former Secretary of the British Technology Group. He joined the civil service in 1961. Until his appointment as Comptroller General, he had responsibility for implementing the Next Steps Initiative within the DTI.

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

Yours sincerely
Rosalind Cole.

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

PATENT OFFICE
FRAMEWORK DOCUMENT

22 FEBRUARY 1990

FW2ABU

FOREWORD BY THE SECRETARY OF STATE

I am delighted to establish the Patent Office as an Executive Agency within the DTI.

The Patent Office has a key role to play in encouraging a climate which rewards enterprise and promotes prosperity through the creation of intellectual property rights. These rights, in the form of patents, copyright, registered designs and trade marks, are essential to the process of industrial development and wealth creation.

I have set the Office targets for improvements in efficiency and quality of service which reflect the advances in performance which agency status makes possible.

As an Executive Agency, the Patent Office will also acquire important management freedoms and flexibilities. These will enable it to respond more effectively to the needs of its customers. I expect these freedoms and flexibilities to develop over time. Although the Patent Office's activities cannot be accorded trading fund status under existing legislation, the Government Trading Bill, which is under consideration by Parliament, will, if approved, make it possible for the Patent Office to become a trading fund. I hope to see the Patent Office established as a trading fund in 1991.

The Patent Office faces a number of challenges in its new role: among these, I attach particular importance to its successful relocation from central London to Newport, Gwent and to increasing the awareness of the value of intellectual property rights, especially among small and medium sized enterprises. I am sure that Patent Office staff are equal to these challenges and I wish them well.

Nicholas Ridley
Secretary of State for Trade and Industry

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1. STATUS

Title

- 1.1 The Agency will be called The Patent, Trade Mark, Copyright and Design Executive Agency for formal purposes. It will normally use the title 'The Patent Office', which is the name by which the Office is generally known in the United Kingdom and elsewhere.

Departmental Status

- 1.2 The Patent Office is an Executive Agency of the Department of Trade and Industry, and its staff are DTI civil servants. This document sets out the relationship which it will have with the Department, with Ministers and with its customers.
- 1.3 The statutory duties and functions of the Patent Office are set out in Annex 1. The Department will monitor the Agency's performance in carrying out these duties and functions and other tasks laid on it by the Department, and will, on request from the Agency, provide advice on any delegated or other matter.
- 1.4 The Patent Office has responsibility for providing Ministers with policy advice on intellectual property matters generally. It also supervises on the UK's behalf the operations of international bodies, including the European Patent Office and the World Intellectual Property Organisation. The framework of accountability for these aspects of the Patent Office's work is not changed by the establishment of the Agency.
- 1.5 Within the framework of accountability provided by this document, it is DTI's intention that the Patent Office should be given as much freedom as possible to achieve the aims and objectives set out in Chapter 2 of this document.

Ministerial Responsibility

- 1.6 DTI Ministers will continue to determine the policy and resources framework within which the Agency operates, but they will not become involved in the day-to-day management of the Patent Office.

Parliamentary Accountability

- 1.7 DTI Ministers will answer to Parliament on the work of the Agency.

2. AIMS AND OBJECTIVES

Main Aim

- 2.1 The principal aim of the Patent Office is to stimulate the growth and development of those areas of commerce and industry based on new ideas and technologies, through the establishment of industrial property rights. The Patent Office also aims to help literature and the arts to flourish through an effective copyright law.

Objectives

- 2.2 The objectives of the Office are:

- to ensure that the intellectual property system operates in a way which reflects the national interest;
- to provide all its customers with services which combine quality with value for money;
- to ensure that industrial property rights issued under its authority carry with them a good presumption of validity in the market-place;
- to maintain the considerable knowledge and experience accumulated in the course of its work and to ensure that these are available for the benefit of industry and commerce;
- to promote an awareness of the value of industrial property and its exploitation; and
- to ensure that it performs its functions with increasing effectiveness, efficiency and economy.

Operating Principles

- 2.3 The Patent Office will adopt the following general principles in carrying out its functions:

- it will operate within the Department's overall objectives to help to secure an increase in prosperity and to create a climate that stimulates enterprise;
- it will work with and through the European Patent Office, the World Intellectual Property Organisation and the European Community Trade Marks Office, when established, to ensure that the services available to industry are efficient effective;

- it will foster more informed attitudes towards industrial property, disseminate information and encourage technology transfer;
- it will keep its operations under constant review in order to improve, wherever possible, services to its customers;
- it will consult its customers in order to keep abreast of their problems and to work effectively with them; and
- it will maintain the policy of setting prices overall on the basis of the recovery of full costs, while keeping initial fees for entry into the industrial property system at a level which encourages commerce and industry, particularly small and medium-sized enterprises, to stake their claim to patent and other rights.

Effect of Executive Agency Status

2.4 As an Agency, the Patent Office will be given greater autonomy. The DTI and the Treasury believe that the activities of the Patent Office are suited to a trading fund regime. The Patent Office's activities are not suitable for trading fund status under the Government Trading Funds Act 1973. However, the Government Trading Bill, which is currently under consideration by Parliament, would, if approved, make it possible for the Patent Office to become a trading fund. If Parliament passes the Government Trading Bill, it is the intention of the DTI and the Treasury to seek approval for establishing a trading fund for the Patent Office as soon as practicable in 1991.

2.5 The establishment of the Patent Office as an Executive Agency will confer greater freedom, control and flexibility, and is intended to lead to:

- improved internal management;
- better motivation for managers and staff;
- more effective delivery of services; and
- improved value for money.

This will be linked with greater accountability, including the introduction of budgets for all senior line managers and for the heads of the service functions, in order to encourage closer attention to costs, productivity and quality of service.

Effect of Trading Fund Status

2.6 The benefits of Executive Agency status would be enhanced in the following ways with the transfer to Trading Fund status:

- the ability to vary expenditure directly in response to changes in demand, and to adjust resources accordingly;
- the ability to retain surpluses and create reserves in order to provide greater freedom of action over the use of resources;
- the ability to fund capital investment programmes from borrowing or by utilising any surpluses generated; and
- further development of the sharper, more commercially minded approach on the part of management, backed by full commercial accounts.

3. ASSETS, RESOURCES AND ORGANISATION

Location and Assets

- 3.1 In order to achieve substantial long term savings in running costs and greater stability in staffing, the Patent Office is being relocated to Duffryn, Newport with small offices maintained in London and Manchester. The relocation is scheduled for completion during 1991. In the meantime, the Office will progressively surrender holdings at State House and Southampton Buildings in London and St Mary Cray in Kent, together with temporary accommodation at Chartist Tower in Newport and Scoda House in Cardiff which it has taken on to assist in the phasing of the move to Duffryn, Newport. These assets are vested in the Secretary of State for the Environment.
- 3.2 Other key assets of the Patent Office are, first and foremost, its staff and their established reputations, together with comprehensive databases of industrial property information, and modern technology particularly in the form of on-line computer systems and video conferencing links. The written down value of capital equipment used by the Patent Office at 1 April 1989 was approximately £1.4m.

Chief Executive

- 3.3 The Office is headed by the Comptroller-General and Chief Executive (hereafter referred to as the Chief Executive). The statutory powers and duties of the Chief Executive, who is appointed by the Secretary of State for Trade and Industry under section 63 of the Patents and Designs Act 1907, are not affected by the change to Agency (and subsequently Trading Fund) status. The principal statutory duties and functions of the Office are contained in Annex 1.
- 3.4 The Chief Executive will be required, having regard to the statutory framework and also to the wider objectives of DTI, to develop the work of the Patent Office by:
- ensuring that, when representing the UK in international fora, the interests of all users of the intellectual property system are fully taken into account;
 - seeking improvements in efficiency in terms of both productivity and unit costs; and

- improving the quality of service provided to its customers while maintaining the integrity of the UK intellectual property rights system.

~~These~~ ^{The} improvements are expected to be particularly significant after the relocation of the Patent Office from London to Newport is completed in 1991.

Management and Staffing Structure

- 3.5 The Chief Executive will be supported by an internal management board comprising the senior line managers of the Patent Office and the heads of its service functions. In 1989/90, the Patent Office had a staffing provision of 1145 staff. Over 250 of the Patent Office's staff are grade 7 and above and equivalent senior Patent examining grades.
- 3.6 The staff are trained to address the wide variety of technical disciplines needed to provide efficient and effective patent, trade mark and design services, and have a wealth of experience of intellectual property systems and information.

Steering Board

- 3.7 The Chief Engineer and Scientist, as Deputy Secretary responsible for the Patent Office, will be the principal link between the Patent Office and the rest of the Department (see also Chapter 4 below - Reporting and Accountability). He will be assisted by a Steering Board (which he will chair), a majority of whose members will be non civil servants with relevant commercial experience.

Role of the Steering Board

- 3.8 The role of the Board will be to advise the Chief Engineer and Scientist on the proposed corporate plans of the Patent Office, and on the extent to which the Patent Office carries out its functions effectively and efficiently in accordance with this framework document and the agreed Corporate Plan. The Steering Board is not responsible for the provision of policy advice to Ministers.

4. REPORTING AND ACCOUNTABILITY

Accountability to Ministers

- 4.1 The Chief Executive will report to DTI Ministers on the work of the Agency.
- 4.2 The Chief Engineer and Scientist, as responsible Deputy Secretary, will be responsible, with the assistance of the Steering Board, for advising Ministers on the adoption of the Corporate Plan (which will include Patent Office proposals on the setting of financial and other targets, and examination of major policy issues, including major investment decisions). The Chief Engineer and Scientist will also be responsible for monitoring on behalf of DTI, as parent Department of the Agency, the performance of the Patent Office against its plan, and reporting to Ministers and others as required on the performance of the Agency.
- 4.3 The framework of accountability to Ministers on matters of policy, as opposed to its executive operations, is not changed by the establishment of the Agency. On matters of policy, the Patent Office will report to Ministers through the Chief Engineer and Scientist as responsible line manager.

Parliamentary Accountability and MP's Enquiries

- 4.4 Members of Parliament will continue to be able to raise any matters concerning the Patent Office with Ministers. However, Ministers will encourage MPs to write directly to the Chief Executive on day-to-day agency operational matters. Where such correspondence comes directly to Ministers, they will normally ask the Chief Executive to reply in the first instance. Where the Minister decides to reply or where an MP specifically requests a Ministerial reply, advice will be sought 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, Patent Office will refer the correspondence to the relevant divisions in DTI.

Parliamentary Commissioner for Administration

- 4.5 The agency will continue to be subject to the jurisdiction of the Parliamentary Commissioner for Administration. 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 the Patent Office.

Role of DTI Accounting Officer

- 4.6 The Permanent Secretary will remain responsible for all matters for which he is responsible as Accounting Officer, including the policy of the Department towards the Agency, this framework document, the Agency's performance targets and the Departmental resources allocated to it.
- 4.7 The Accounting Officer and Agency Accounting Officer (see 4.8) are liable to be required to appear before Parliamentary Select Committees and the Public Accounts Committee when the affairs of the Agency are being discussed.

Appointment and Role of Agency Accounting Officer

- 4.8 The 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 Chief Executive, as Agency Accounting Officer, will be expected to account for Patent Office income and expenditure and the way it performs the functions with which it is charged, as well as performance against its targets.

Planning Framework

- 4.9 The annual Corporate Plan (see 5.8 and 5.9) provides the basic management planning framework for the Patent Office. It will set out the strategy for the following five years including a detailed business plan for the first year and indicative targets for a longer period.
- 4.10 Details of the Patent Office's performance will be published in its annual report to Parliament.

General Delegations of Responsibilities from the Department

- 4.11 This framework document, the Corporate Plan, and the financial and performance targets for the Patent Office, together establish the Agency's tasks, objectives and resources. The Agency, and particularly its Industrial Property and Copyright Department, will maintain close links with the Department. The day-to-day management of the Agency will be the responsibility of the Chief Executive who will report to the Chief Engineer and Scientist on the conduct of the Agency's business.

- 4.12 While carrying out its statutory and other roles, the Patent Office will have regard to wider Departmental policies, in particular those concerning innovation, and will participate, as appropriate, in Departmental activities and initiatives.

Monitoring Arrangements

- 4.13 The Chief Executive will provide reports to the Steering Board on:
- the preparation of the Corporate Plan, including the objectives, strategy and targets contained within the Plan;
 - the annual bids for finance and resources;
 - the effectiveness of the Agency's management systems and the appropriateness of the Agency's internal measures and targets;
 - major investment proposals and developments;
 - reports on performance against plans;
 - proposals to increase fees and charges; and
 - any major issues which are not covered by the Corporate Plan or which may result in deviation from the Plan.
- 4.14 The Patent Office will submit quarterly reports to the DTI, through the Steering Board, on its financial performance and other targets. Quarterly reports will similarly be provided to Treasury on the Agency's performance and progress.
- 4.15 The internal management board of the Patent Office (see 3.5 above) will oversee the work of the Office and, in particular, ensure that managers at all levels within the Office have the information they need to assess whether targets are being met and whether costs are being kept within budget and, if not, to take remedial action in good time. Progress will be monitored monthly by the internal management board, and performance against targets will be important throughout the Office. Managers and staff will be given regular information about the overall performance of the Agency and progress towards its targets.

Report and Accounts

- 4.16 In fulfilment of section 121 of the Patents Act 1977, section 42 of the Registered Designs Act 1949 and section 45 of the Trade Marks Act 1938, an Annual Report and Accounts will be published on a calendar year basis and copies will be placed in the Libraries of the Houses of Parliament. The Report will review performance during the previous year and set out targets for the coming year.

5. FINANCE, PLANNING AND CONTROL

Financial Regime

- 5.1 The financial objective of the Patent Office is to break even, taking one year with another. Its pricing policies will be based on full recovery of costs as required by the Treasury Fees and Charges Guide. The Office provides a service to customers who decide to seek patent, trade mark and design protection as an alternative to the European Patent Office in the case of patents or, in due course, the European Community Trade Marks Office in the case of trade and service marks.
- 5.2 For the time being the Patent Office will remain under gross running costs control within the overall running costs limit of the Department. However, the Department will aim within the limits of its Supply Estimate provision to operate its relationship with the Patent Office on an arms-length basis. The Office will seek Supply Estimate provision on the basis of its income and cash requirement in the agreed Corporate Plan (see 5.8 and 5.9)
- 5.3 The Patent Office will continue to invest in projects which develop its range of services in ways which offer value for money and reduce unit costs. Standard Government investment criteria will be applied as appropriate, including cost/benefit analysis, payback, discounted cash-flow forecasting and net present value calculation. Investment proposals which exceed the delegated financial authority of the Chief Executive will require the endorsement of the Steering Board, and the agreement of Ministers and Treasury where appropriate.

Performance Measures

- 5.4 The primary performance measure for the Agency will be its demonstrable ability to meet the needs of its customers, while fully recovering its costs. The Agency will employ a range of indicators to monitor its performance, including:
- targets reflecting the quality of service offered to customers, including turnaround times for specific operations;
 - output ratios for examining and other work;

- unit costs of the granting of patents, and the registering of trade and service marks and designs;
- the level of resources devoted to common services; and
- comparison of budget to actual costs for branches within the Patent Office.

The annual report and accounts (see paragraph 4.16) will show the performance of the Agency against past targets and set out the targets for the period ahead. Quality of service will be measured by the establishment of bench-marks, by making international comparisons, and by periodic surveys of the perceptions of Patent Office customers.

Relationship with Customers

- 5.5 It will be a principal objective of the Patent Office to provide all its customers with services which combine quality with value for money. The Office will develop strategies in its annual corporate plans in line with this objective.

Policy on Pricing of Services

- 5.6 The Patent Office obtains income almost entirely from activities where a fee is payable in accordance with statute. As required by the Treasury, the overall level of income received from fees and charges is intended to cover the costs of the services (or group of services) being provided, taking one year with another (see also 2.3 above). These costs are specified by applicable Orders under section 102 of the Finance (No 2) Act 1987. Proposals for changes in the level of fees and charges will be made in the light of the general principles applying to the Agency's performance of its functions as well as the Treasury Fees and Charges Guide. Proposals for changes to fees and major alterations to charges will be put to Ministers, and changes to fees will continue to require Parliamentary approval.
- 5.7 Fees and charges are payable by all customers, including other Government Departments, other Executive Agencies, and other parts of the Department.

Corporate Plan

- 5.8 The role of, and basic strategy for, the annual Corporate Plan are outlined in the planning

framework of the Agency (see 4.9 above). Each Corporate Plan prepared by the Patent Office will cover:

- demand analysis and forecasts,
- promotion of services,
- quality and standards of service,
- IT strategy,
- management and organisation,
- fees and charges strategy,
- manpower and other resource assessment,
- capital investment,
- performance measures, and
- training and development strategy.

Approval of the Corporate Plan

- 5.9 Following consideration by the Steering Board (see 3.7, 3.8 and 4.2) the Corporate Plan will be submitted to DTI Ministers for approval. The Corporate Plan will be prepared to a timetable consistent with the Public Expenditure Survey, and will be revised as necessary to reflect its outcome.

Financial Delegations

- 5.10 The Department will progressively devolve to the Agency financial authority to the prevailing levels held by the Department: details of the initial delegation are at Annex 3.
- 5.11 The Chief Executive will have full authority to reallocate resources within each of the Vote subheads dealing with the Office's running costs and capital expenditure.

Management and Accounting Systems

- 5.12 The Patent Office will continue to operate a full financial control system supported by a management accounting system providing for a regular review of costs incurred against agreed budgets, operating performance and cash flow. The system will allow senior management to monitor results at all levels within the Patent Office.

5.13 The Patent Office accounting system will:

- be consistent with Treasury requirements,
- recognise appropriate interfaces with FINMIS,
- be capable, where necessary, of reconciliation with the Department's Vote accounting arrangements, and
- satisfy any Departmental audit requirements as to security, comprehensiveness, separation of authorities and accuracy.

Audit

5.14 The Agency will continue to be subject to audit by National Audit Office, to DTI internal audit and to staff inspection by the DTI and the Treasury.

6. PAY AND PERSONNEL MANAGEMENT

- 6.1 The Patent Office will be given greater delegated responsibility in the areas of personnel management, recruitment, promotion, performance bonuses and training.
- 6.2 The staff allocation for the Office will be agreed each year in the Corporate Plan. Within the allocation, the Chief Executive will have authority to vary the grade mix on the basis of existing guidelines up to and including Senior Executive Officer in the case of the administrative grades and Principal Examiner in the case of the patent examining grades.

Recruitment

- 6.3 The Patent Office will have full delegated powers to recruit all non-mobile grades directly in accordance with the principles set out in the OMCS Recruitment Handbook. The Agency may make direct arrangements with the Civil Service Commission for recruitment of Patent Examiners and in addition, the Agency may recruit its own generalist or ADP executive grades in collaboration with OMCS/Civil Service Commission and in accordance with their procedures and standards. In the event of the planned changes to the role of the Civil Service Commission, particularly in respect of devolution of recruitment responsibilities, the Patent Office will be consulted by the Department as to the scope for the Office to carry out its own recruitment of executive and patent examining grades.
- 6.4 The Department will delegate to the Patent Office powers to make limited period appointments for periods of up to 5 years for staff up to and including Grade 7 or equivalent; submitting nominations for limited period certificates direct to the Civil Service Commission, as necessary. Civil Service grades and pay scales will apply. 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 the appointees' ability to offer specialist or professional skills not otherwise readily available.

Personnel Management

- 6.5 In support of the operational needs of the Agency, the Patent Office will aim to offer its staff a well planned and well managed career. This will include appropriate personnel management within the Agency, together with provision for staff to transfer into and out of the Agency. The Patent Office will strengthen its local personnel management capability so that it can take on a wider range of personnel functions and thereby offer staff a coherent and effectively planned career, including the encouragement and development of expertise in the work of the Office. In practice this will mean taking on responsibility for the career management of:
- mobile administration group grades up to and including Senior Executive Officer in South Wales and the permanent London office;
 - Patent Examiners up to and including Principal Examiner, together with certain responsibilities (see Annex 4) in respect of Superintending Examiners; and
 - non-mobile grades in South Wales and the permanent London office.
- 6.6 The Patent Office's local personnel management will undertake a range of personnel management functions as set out in Annex 4 to this document. New functions will, by agreement with the Department, be taken on as the Agency develops. The Agency will operate its own staff suggestion scheme to which staff will be encouraged to contribute.
- 6.7 The Patent Office will have full delegated powers relating to discipline, unsatisfactory attendance and unsatisfactory performance in respect of all staff for whom Patent Office will have career management responsibilities excluding Superintending Examiners.
- 6.8 Patent Office staff may appeal to the Chief Executive against management decisions affecting them personally. Additionally existing rights of appeal to the Permanent Secretary remain unaffected.

Promotion

- 6.9 The Patent Office's staff will remain eligible for DTI main and regional promotion boards. Separately, the Agency will continue to run its own boards for all Patent Examining grades but appointments above

Principal Examiner level will require approval by the Department. Candidates for non-patent examining posts at Grade 7 level and above will be sought from the Department (including Departmental reserve lists and through the issue of Vacancy/Trawl Notices). The Agency will have authority to authorise temporary promotion and substitution of staff up to Grade 5 level or equivalent.

Pay Arrangements

- 6.10 The Patent Office will apply nationally negotiated Civil Service pay arrangements (including performance increments), subject to any arrangements which might be negotiated to apply to the Agency. It will also seek to use available local and special pay flexibilities as necessary to maintain staff numbers to meet work requirements.

Performance Pay

- 6.11 In order to deliver a better service to the customer, the Patent Office will take positive steps to motivate staff. To encourage staff to meet performance and quality targets, the Patent Office will seek to introduce, with the agreement of DTI and the Treasury, a bonus scheme linked to the achievement of agreed annual targets which will enable staff to share in any efficiency savings realised. In addition, the Agency intends to examine the scope for payment of special bonuses in recognition of individual conspicuous achievement.

Training and Development

- 6.12 The Patent Office recognises the importance of training and development for staff at all levels. The Patent Office will formulate a training and development strategy designed to ensure that staff in all grades acquire, and maintain, the skills and competencies needed to provide an efficient and effective service at the lowest possible cost to Patent Office customers. In addition to the training which the Agency will organise for itself, the Agency may also use the facilities of DTI, the Civil Service College and external organisations as appropriate, having regard to value for money in the broadest sense.

7. INDUSTRIAL RELATIONS

- 7.1 Good industrial relations are of fundamental importance, and the Patent Office will continue to operate the Whitley arrangements. The Agency will be covered by a single Agency Whitley Committee chaired by the Chief Executive (or exceptionally by a nominee). Every effort will be made to resolve issues within the Patent Office Agency Whitley Committee. Issues not so resolved will be pursued within the usual Whitley procedures, which involve the Departmental Whitley Council.
- 7.2 The Chief Executive will be the Official Side Manager responsible for carrying out existing arrangements in their application to the Agency. This includes agreements negotiated at Departmental level, which the Patent Office and the local trade unions may seek to modify to reflect Agency needs and conditions. Local agreements, or Departmental agreements modified locally, are not intended to have implications for other parts of the Department or other Agencies.

8. SUPPORT SERVICES TO THE AGENCY

- 8.1 The Patent Office will be responsible for administrative decisions about the structure and day-to-day running of its support services, and the Department intends that Agency status will lead to a progressive extension to the Agency of control over the remaining areas of support services in an appropriate manner to ensure maximum economy, efficiency and effectiveness.
- 8.2 Subject to Departmental agreement of the Agency's IT strategy, the Department will progressively devolve to the Agency full responsibility (including technical authority) for the development, operation and procurement of information technology systems.
- 8.3 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 agreed by the Resource Management Group to continue to improve the Department's purchasing performance and professionalism. The Agency will comply with the Treasury initiatives on market testing.
- 8.4 The Chief Executive will have delegated authority to appoint consultants, seeking advice, as appropriate, from the Department on contractual and propriety matters.
- 8.5 The Patent Office will keep under review the level and cost of support services provided by DTI and by other external sources in order to ensure that value for money is being achieved.

9. REVIEW AND VARIATION OF FRAMEWORK

- 9.1 The framework document will be reviewed jointly by the Department and the Agency, in consultation with the Treasury and the OMCS, not later than 3 years from the date on which it comes into operation. In the meantime, either the Department or the Agency may propose changes to the framework document which are suggested by experience of its operation or changes in circumstance, such as the expected move to Trading Fund status. Amendments will be published, and the Departmental Trade Union Side will be consulted on any modification to the framework document.
- 9.2 The Annexes to the framework document provide for progressive delegation of responsibility to the Patent Office in the light of experience and may, therefore, be amended by the Department from time to time in consultation with the Patent Office.

ANNEX 1

STATUTORY DUTIES AND FUNCTIONS

1.1 The Patent Office is responsible for the administration of the Patents Act 1977, the Copyright, Designs and Patents Act 1988, the Registered Designs Act 1949, the Trade Marks Act 1938, the Trade Marks (Amendment) Act 1984 and associated legislation. The principal elements of Patent Office business are:

- the granting of patents for inventions of industrial application,
- the registration of trade and service marks for goods and services, and
- the registration of designs of articles.

The Office also acts as a receiving office for international applications under various treaties and conventions and as the regulatory authority for European Patents (UK). In the latter respect, the Office collects renewal fees for European Patents (UK), retaining a proportion and remitting the balance to the European Patent Organisation in accordance with the decision of the Administrative Council of that Organisation and as laid down by the European Patent Convention.

- 1.2 The Patent Office also has responsibility for advising on patents, trade marks, designs and copyright.
- 1.3 In addition, by means of its publications and databases, the Office is a key source of information about science, technology, marks and design in both a national and international context. The Office also publishes a series of law reports on patent, mark and design cases decided by the Comptroller or the Courts.
- 1.4 By a range of search and advisory services the Office offers access to scientific and technical information to assist its customers eg. in evaluating possible lines of research, facilitating the drafting of applications to the Office, and so on.
- 1.5 The Patent Office also promotes awareness of industrial property, for example by providing speakers for talks and seminars.

ANNEX 2

SUPPORT SERVICES DELEGATIONS

1. Already exercised

Equipment etc.

Access to Departmental information systems
Procurement, installation and use of computing (limited responsibility)
Telecommunications (current expenditure only and excluding Government Telephone Network) and office machinery, equipment and systems (limited responsibility)
In-house telephone directory
Data preparation

Accommodation etc.

Building and works management*
Accommodation statistics
Messenger services (except Sunley House, Manchester)
Post and telex
Furniture and fittings
Office cleaning*
Health and safety*
Fire precautions*
Emergency arrangements*
Security (excluding London)*

* except Trade Marks, Newport and Sunley House, Manchester

General local responsibilities

Control of forms
Local Whitley matters
Local staff communications
Commissioning external management and advisory consultancy services (preparation of specification, selection of consultants and monitoring all aspects of the project, including budgets)
Local modelling, forecasting and planning
Public relations and publicity (part)
Printing and stationery
Typing and secretarial services
Reprographic services
Registry services
Special van service linking Patent operations in London and South Wales

2. To be transferred to The Patent Office

Equipment etc.

Enhanced access to PERMIS and other Departmental systems as agreed necessary with the Department

In accordance with paragraphs 8.2 and 8.3 of the framework document, procurement arrangements for office equipment and information technology equipment and services (including computers and telecommunications)

In accordance with paragraph 8.2 of the framework document, authority to approve, monitor and control dedicated Patent Office information technology systems (including computers and telecommunications equipment) up to the limit of the Department's delegated authority

Accommodation

Security, London

Selection of contractors for all works

Surrender of surplus accommodation to be negotiated with PSA in accordance with the arrangements prevailing at the time, but 6 months notice of such intention to be given to the Department to allow for possible Departmental re-use.

General local responsibilities

Commissioning external management and advisory consultancy services (remaining responsibility including short-listing for competitive bids, inviting tenders, preparing and putting in place the appropriate contract)

Library services

Translation services

Public relations and publicity (remaining responsibility)

Use of support services of central divisions in the Department, or Central Departments or other arrangements, as the Office chooses, based on value for money etc considerations

Design of Forms

ANNEX 3

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 special payments:	
- awards to Agency staff	Up to £5,000
- compensation for personal injury in respect of Agency staff	Up to £5,000
- other special payments	Up to £25,000
Authorise imprest payments	Up to £1,000
Authorise write-off of losses and claims waived/abandoned	Up to £25,000
Authorise gifts of official property	Up to £25,000
Negotiate, organise and review money transmission arrangements with Treasury approved clearing banks	

* 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. These include:

Salaries, wages and overtime
ERNIC
Training
Manpower substitutes and professional fees
Travel, subsistence and removals
Entertainment
Postal charges
Stationery and printing
Security and other contractor staff payments
Contract office and window cleaning
Office machinery purchase, hire and maintenance
Telecommunications
Current cost of computers
Capital cost of computers
Accommodation charges including minor building works and maintenance
Fuel and utilities
Furniture and fittings
Motor transport, fuel and running costs
Publications
Publicity
Bank charges
Health and Safety
Insurance
Reimbursement of subscriptions to international organisations
Relocation expenses

The Chief Executive may, in accordance with Departmental procedures, approve ADP proposals up to a limit of £150,000 per project (inclusive of all applicable project costs). Annex 2, Section 2 provides for a future increase in the delegation to the prevailing level held by the Department.

The Chief Executive may subdelegate any of the powers shown above to named Agency staff. In addition, the Chief Executive may enter into commitments and certify and authorise payments, or subdelegate powers to do so, related to DTI forecast and ledger headings and suspense accounts allocated to the Agency, but not shown above.

These financial delegations may be varied by agreement between the Agency and the Department.

ANNEX 4

PERSONNEL AND TRAINING DELEGATIONS

1. In operation or to be transferred to The Patent Office
by 1 November 1989

- 1.1 For patent examining grades (defined throughout as Examiners, Senior Examiners, Principal Examiners and Superintending Examiners unless otherwise indicated)

Career Management

- Career planning
- Career development interviews
- Postings within The Patent Office

Recruitment

- Advertising*
- Sifting of applications*
- Interviewing of candidates*
- Offers of posts*
- Allocation of posts
- Arrangements regarding commencement date, conditions, probation, updating of PERMIS etc.

- * Conducted in collaboration with the Civil Service Commission

Limited Period Appointments

Casual Appointments

Staff Reporting

- Initiation, completion, follow up, scrutiny and retention of:
 - annual reports
 - probation reports
 - special and break reports
 - interview action records
 - forward job plans

Promotions

- Authorisation of temporary promotion and substitution
- Promotion boards for patent examining grades

Attendance and Performance

- Responsibilities relating to unsatisfactory attendance and performance (excluding Superintending Examiners)

Training

- In-house specialist training for patent examiners

Other Personnel Matters

- Discipline (excluding Superintending Examiners)
- Transfers from full to part-time working and vice versa
- Reinstatement arrangements
- Retirement procedures
- Redundancy arrangements
- Regrading procedures
- Action following death, resignation and change of name
- Authorisation of paid, maternity and unpaid leave
- Provision of references

- 1.2 For non-mobile grades (defined throughout as Administrative Officers, Administrative Assistants, Secretarial and Support Grades) in South Wales

Career Management

- Career development interviews
- Postings within the Patent Office

Recruitment

- Advertising
- Contacts with job centres
- Sifting of applications
- Invitations to interviews
- Interviewing of candidates
- Offers of posts
- Allocation of posts
- Arrangements regarding commencement date, conditions, probation, updating of PERMIS, etc.

Limited Period Appointments

Casual Appointments

Staff Reporting

- Initiation, completion, follow up, scrutiny and retention of:
 - annual reports
 - probation reports
 - special and break reports
 - interview action records
 - forward job plans

Promotions

- Authorisation of temporary promotion and substitution
- Posting of promotees from reserve lists

Attendance and Performance

- Responsibilities relating to unsatisfactory attendance and performance

Training

- In-house training relating to the work of The Patent Office

Other Personnel Matters

- Transfers from full to part-time working and vice versa
- Reinstatement arrangements
- Retirement procedures
- Action following death, resignation and change of name
- Authorisation of paid, maternity and unpaid leave
- Provision of references

2. To be implemented or transferred to The Patent Office by 1 March 1990

- 2.1 For mobile administration group grades (defined throughout as Executive Officers up to and including Senior Executive Officers unless otherwise indicated) in South Wales and permanent London office

Career Management

- Career development interviews
- Postings within The Patent Office

Recruitment

- of generalist or ADP executive grades in collaboration with OMCS/Civil Service Commission

Limited Period Appointments up to and including Grade 7 level

Casual Appointments

Staff Reporting

- Initiation, completion, follow up, scrutiny and retention of:
 - annual reports
 - probation reports
 - special and break reports
 - interview action records
 - forward job plans

Promotions

- Authorisation of temporary promotion up to and including Grade 5 level
- Posting of promotees from reserve lists

Attendance and Performance

- Responsibilities relating to unsatisfactory attendance and performance

Training

- In-house training relating to the work of The Patent Office

Other Personnel Matters

- Discipline
- Transfers from full to part-time working and vice versa
- Reinstatement arrangements
- Retirement procedures
- Redundancy arrangements
- Regrading procedures
- Action following death, resignation and change of name
- Authorisation of paid, maternity and unpaid leave
- Provision of references

2.2 For non-mobile grades in permanent London office

Career management, recruitment, staff reporting etc as 1.2 above.

2.3 For all non-mobile grades

Staff Reporting Arrangements

- Eligibility period for EOs and equivalents to act as reporting officers to be reduced to 1 year in grade (or completion of probation, if later)

Other Personnel Matters

- Discipline
- Redundancy arrangements
- Regrading procedures

2.4 For non mobile and mobile administration group grades to Senior Executive Officer level

- Local promotion boards

3. To be implemented or transferred to the Patent Office after 1 April 1990

3.1 For examining, mobile administration group and non-mobile grades

Training

- Budgetary and administrative responsibility for organising the training programme using an appropriate mix of in-house arrangements, Departmental facilities and external sources

Staff Reporting Arrangements

- Introduction of simplified report forms/ procedures

Grading

- Proposals for new grading arrangements

ACCOUNTING RESPONSIBILITIES

As an Agency, the Patent Office continues to have responsibility for accounting for its income and expenditure. The Office provides summarised information to the Chief Engineer and Scientist and to its Steering Board, and liaises on a day-by-day basis with the Department's Finance and Resource Management Division, including the Accounts Branch in Newport.

The Patent Office carries out the following functions:

- * Receipt of all fees, charges and miscellaneous income
- * Authorisation of payment of invoices received and expenditure incurred
- * Production of accounts on a Memorandum Trading Account basis, including a cashflow statement
- * Processing of transactions within delegated financial authorities
- * Investment appraisal
- * Operation of detailed financial and management accounting systems including budget and outturn information for all Patent Office branches together with regular reports covering income, expenditure, unit costs, volumes of workload, staff numbers and cash flow
- * Maintenance of a register of fixed assets, categorised and subject to depreciation in accordance with Treasury guidelines

The accounting functions not itemised which are carried out by the Department on behalf of the Patent Office will be transferred to the Agency as deemed necessary. From the advent of Trading Fund status, the Patent Office will make appropriate arrangements to:

- * Manage its day to day operations and prepare annual accounts in accordance with best commercial practice; and
- * Apply systems commensurate with the requirements of Trading Fund status.



ES
24/2

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

Telephone 01-273 3000/01-273 5826
Telex 915564 Fax 01-273 5821

Permanent Secretary
Sir Geoffrey Holland KCB

Andrew Turnbull, Esq
Number 10 Downing Street
LONDON SW1

23 February 1990

See Answer.

Value for Money Seminar: 21 February

At this Seminar, when we were discussing ACAS, I said that the cost of sorting out an individual case at ACAS was about £1,000 and a good deal less than that of letting the case go into the tribunal system itself.

My point was right, but my figure was wrong. The fact is as follows: the average cost of an individual conciliation case settled by ACAS is £124 which compares with the average cost of £1,000 if a case goes to an Industrial Tribunal.

I hope that the record of the meeting will be able to put the facts straight and I am sorry if I inadvertently mislead anyone.

I am copying this letter to Sir Angus Fraser.

Jr
C. G. M.



MS

SUBJECT c: Valve



10 DOWNING STREET

LONDON SW1A 2AA

file

c: Valve.

From the Principal Private Secretary

22 February 1990

Dear Sir,

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT

Your Secretary of State, accompanied by Sir Geoffrey Holland, made a presentation yesterday to the Prime Minister on value for money in the Department of Employment group. Sir Robin Butler, Sir Angus Fraser, Mr. Brereton and Dr. Coley (Efficiency Unit) were also present.

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

The discussion dealt first with the Employment Service and Employment Training. The following points were made:

- (i) The Prime Minister was disturbed to learn that in approximately 75 per cent of cases where an offer was made at a Restart interview, the claimant failed to show up at the subsequent stage; and that even of those who did start the ET course, only one quarter completed it. The overall effect was that only 10 per cent of referrals from Restart interviews led to the completion of ET courses. The Prime Minister quoted from the record of the meeting of 24 February 1988 which showed that precisely the same problem existed then and that no progress had been made over the past two years. Your Secretary of State accepted that there were two deficiencies in the system, both of which were now being tackled. First, the legislation had been tightened in the 1989 Social Security Act so that eligibility for benefit now depended on actively seeking work rather than just being available for work. Secondly, a recent scrutiny had shown that it was essential to be able to follow what had happened to people after a Restart interview and for that information to be made available to New Claimant Advisers. By looking at the case notes, the latter would be able to see whether the claimants had made any effort to follow up the Restart interview. Those who had not could now be refused benefit.

- (ii) Although the fall-out rate from ET was high, 60 per cent of those who did complete it got jobs, which was higher than for most other schemes.
- (iii) In addition to better follow-up of Restart interviews, it would be beneficial for the first such interview to be held earlier than six months.
- (iv) The Prime Minister asked whether the disappointing results for ET called the basis of the programme into question. Now that unemployment had fallen substantially the Government might be trying to force into training people who could not benefit from it or had no motivation to benefit from it. This was being done at high cost per case to the public purse. It might be necessary to have a fall-back scheme for such "hard core" cases, where unskilled work would be offered at benefit-plus, and if this was refused benefit could be denied.
- (v) The work of the Employment Service was shifting from benefit payment to placement, counselling and pursuit of fraud. The latter functions now accounted for nearly half the staff compared with only a third in 1985. Placement was now concentrating on the unemployed, and particularly the long-term unemployed, rather than handling job switching where it would be in competition with private sector employment agencies.
- (vi) The real cost per placement was rising but this was because more counselling was now involved.
- (vii) The returns from fraud were declining though were still substantial as the easier cases were tackled. Your Secretary of State said a recent scrutiny had recommended a separate fraud agency to serve both DE and DSS. He did not agree with that recommendation, preferring to keep fraud work closely linked with benefit payment.
- (viii) Your Secretary of State said work was on schedule for the Employment Service to become an Agency by April. He hoped to secure Treasury agreement to greater end-year flexibility. Sir Robin Butler added that it was also important for the centre of the Department to delegate responsibility.

Discussion then turned to the Training Agency and the Training and Enterprise Councils. The following points were made.

- (ix) The Prime Minister noted that, although a large part of the staff of the Training Agency would be seconded to the TECs, a large Headquarters staff would remain at the Training Agency. She questioned whether this was necessary and whether it would duplicate the functions of the Department of Employment itself. Sir Geoffrey Holland said that the Training Agency was continuing to run a number of programmes while working on the

establishment of TECs. Once this transition had been completed, it would be necessary to look at the numbers in the Training Agency Headquarters and he was confident that savings could be made.

- (x) Sir Angus Fraser asked why Training Agency running costs did not decline despite the fall in manpower numbers. Sir Geoffrey Holland explained that part of the running costs would be translated into payments to meet the management fees of the TECS.

Discussion then turned to ACAS.

- (xi) Your Secretary of State explained that approximately half the 642 staff at ACAS were engaged on disputes involving individuals. ACAS was frequently able to achieve settlement and avoid recourse to an industrial tribunal. Only 10 per cent of the work was on collective conciliation. The remaining 40 per cent was on advisory work. It was suggested that this advice, which was currently being provided free to employers, should be charged for though it was noted at present that the Department had no powers to direct ACAS and exercised control only over its cash limit.

There was no discussion of the Health and Safety Executive.

Summing up the discussion, the Prime Minister said that two main issues had emerged. First, it was essential to follow up Restart interviews in order to ensure that New Claimant Officers would know from the case notes whether a claimant had failed to act on an offer from a Restart interview or had dropped out of an ET scheme. Only if this was done would it be possible to establish whether claimants were actively seeking work and ultimately how effective the ET scheme was. Secondly, the size of the staff left in the Training Agency Headquarters should be reviewed once the TECs had been established in order to ensure that the numbers were no larger than necessary and that there was no duplication of work in the Department itself. She also asked that the organisation of fraud work should be resolved as soon as possible and that consideration should be given to charging for ACAS advisory work.

I am copying this letter to Carys Evans (Chief Secretary's Office - with a copy of your Secretary of State's charts) and to Sir Robin Butler and Sir Angus Fraser.

*You sincerely
Andrew Turnbull*

ANDREW TURNBULL

Clive Norris, Esq.,
Department of Employment.

PRIME MINISTER

Ministry of Defence - 2.5% Efficiency Programme

The Ministry of Defence has produced the third report on its 2.5% efficiency programme. A copy is at Flag A.

The First Three Years

Progress continues to be good with the outturn savings for 89/90 being £420m compared with the previously estimated £390m. The target was £310m. The achievement of £420m equates to an efficiency improvement of 3.4% compared with the target of 2.5%; this is a commendable achievement.

The MOD is doing well this year also, having identified, by the year end, £575m of the targeted £620m savings. This does represent a slowing down in the rate of efficiency gains given the very good start in the first year. To achieve overall savings of 5% they will have achieved 3.4% in the first year but only 1.6% in the second year. However, I do not think we should quibble too much about this since I would much prefer the MOD to achieve its savings as early as possible rather than start stockpiling the excess in one year to be used against the target for following years.

The target for the third year, 1990/91, is £930m. The report states that it will be hard to achieve but Tom King has reaffirmed his determination that the target will be met.

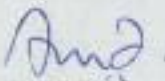
The Following Four Years

Looking further ahead the MOD has now set targets for the four years beyond 1990/91, running at 1.5, 2.5, 3 and 3% pa, giving an average of 2.5% pa. This ties in with the minute from your office following the last VFM seminar and asking for targets which on average maintain the current rate of improvement. I recommend that you accept these targets.

There is an element of jam tomorrow in the new targets but they do continue the trend at 2.5% and extend the period of the programme to seven years. By year 7 the cumulative saving will produce annual savings of £2000 million. Total savings over the seven years will be in excess of £8000 million. In the later years the MOD should also have the benefits which will arise from the introduction of its New Management Strategy.

Tom King makes the point (paragraph 10) that international events and turbulence in the defence programme may mean that these targets have to be kept under regular review. I do not think this changes the case for the MOD to retain targets for improving overall efficiency.

I attach (at flag B) a draft response which your office might like to send to the MOD. I am copying this minute to Robin Butler.


Angus Fraser
21 February 1990

ANDREW TURNBULL

21 February 1990

MOD EFFICIENCY PROGRAMME

I have no particular comments. It is encouraging that MOD are now committed to the 2.5 per cent average target for the next three years. MOD's sanguine attitude to these targets may be due to the fact that they believe international events will in any case render them obsolete.

I understand the Treasury may have some specific point to make. In particular they would like future reports to contain more information, presented in a more systematic way. Their view is that the examples outlined on page 3 give by definition a partial picture. They would like a much clearer analysis of under what broad headings the efficiency gains are being achieved, eg increased contracterisation or better use of stores and supplies. Categorising the efficiency improvements in this way would help to identify those areas in which the Efficiency Programme had done best and where it could be improved. This would provide a more complete picture. I have some sympathy with this view.



ANDREW DUNLOP

Covering Management
In Confidence



EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries: 01-270 0273
Direct line: 01-270 0257

By HAND TO ANDREW TURNBULL 22.2.90

Dear Andrew,

Thank you for the splendid note of yesterday's VFM session - in my view a very worthwhile session.

A part from 2 minor typos in first para. I offer 4 small suggestions in (iv), (ix), (xi) and the Summary.

Yours ever

D.M.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 February 1990

VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT

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

The discussion dealt first with the Employment Service and Employment Training. The following points were made:

- (i) The Prime Minister was disturbed to learn that in approximately 75 per cent of cases where an offer was made at a Restart interview, the claimant failed to show up at the subsequent stage; and that even of those who did start the ET course, only one quarter completed it. The overall effect was that only 10 per cent of referrals from Restart interviews led to the completion of ET courses. The Prime Minister quoted from the record of the meeting of 24 February 1988 which showed that precisely the same problem existed then and that no progress had been made over the past two years. Your Secretary of State ~~said~~ that there were two deficiencies in the system, both of which were now being tackled. First, the legislation had been tightened in the 1989 Social Security Act so that eligibility^{for} benefit now depended on actively seeking work rather than just being available for work. Secondly, a recent scrutiny had shown that it was essential to be able to follow what had happened to people after a Restart interview and for that information to be made available to New Claimant Advisers. By looking at the case notes, the latter would be able to see whether the claimants had made any effort to follow up the Restart interview. Those who had not could now be refused benefit.

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for

This was being done at a high cost per case to the public purse.

- (ii) Although the fall-out rate from ET was high, 60 per cent of those who did complete it got jobs, which was higher than for most other schemes.
- (iii) In addition to better follow-up of Restart interviews, it would be beneficial for the first such interview to be held earlier than six months.
- (iv) The Prime Minister asked whether the disappointing results for ET called the basis of the programme into question. With unemployment now low, at least by comparison with other countries if not historically, the Government might be trying to force into training people who could not benefit from it or had no motivation to benefit from it. It might be better to have a fall-back scheme for such "hard core" cases, where unskilled work would be offered at benefit-plus, and if this was refused benefit could be denied.
- (v) The work of the Employment Service was shifting from benefit payment to placement, counselling and pursuit of fraud. The latter functions now accounted for nearly half the staff compared with only a third in 1985. Placement was now concentrating on the unemployed, and particularly the long-term unemployed, rather than handling job switching where it would be in competition with private sector employment agencies.
- (vi) The returns from fraud were declining though were still substantial as the easier cases were tackled. Your Secretary of State said a recent scrutiny had recommended a separate fraud agency to serve both DE and DSS. He did not agree with that recommendation, preferring to keep fraud work closely linked with benefit payment.
- (vii) The real cost per placement was rising but this was because more counselling was now involved.
- (viii) Your Secretary of State said work was on schedule for the Employment Service to become an Agency by April. He hoped to secure Treasury agreement to greater end-year flexibility. Sir Robin Butler added that it was also important for the centre of the Department to delegate responsibility.

Now that unemployment has fallen substantially

necessary

Discussion then turned to the Training Agency and the Training and Enterprise Councils. The following points were made.

- (ix) The Prime Minister noted that, although a large part of the staff of the Training Agency would be seconded to the TECs, a large Headquarters staff would remain at the Training Agency. She wondered whether this was necessary and whether it would duplicate the functions of the Department of Employment itself. Sir Geoffrey Holland said that the Training Agency was continuing to run a number of programmes while working on the establishment of TECs. Once this transition had been

questioned

completed, it would be necessary to look at the numbers in the Training Agency Headquarters and he was confident that savings could be made.

- (x) Sir Angus Fraser asked why Training Agency running costs did not decline despite the fall in manpower numbers. Sir Geoffrey Holland explained that part of the running costs would be translated into payments to meet the management fees of the TECS.

Discussion then turned to ACAS.

- (xi) Your Secretary of State explained that approximately half the 642 staff at ACAS were engaged on disputes involving individuals. ACAS was frequently able to achieve settlement and avoid recourse to an industrial tribunal. Only 10 per cent of the work was on collective conciliation. The remaining 40 per cent was on advisory work. It was suggested that this advice, which was currently being provided free to employers, should be charged for though it was noted that the Department had no powers to direct ACAS and exercised control only over its cash limit.

at present

There was no discussion of the Health and Safety Executive.

Summing up the discussion, the Prime Minister said that two main issues had emerged. First, it was essential to follow up Restart interviews in order to ensure that New Claimant Officers would know from the case notes whether a claimant had failed to act on an offer from a Restart interview or had dropped out of an ET scheme. Only if this was done would it be possible to establish whether claimants were actively seeking work. Secondly, the size of the staff left in the Training Agency Headquarters should be reviewed once the TECs had been established in order to ensure that the numbers were no larger than necessary and that there was no duplication of work in the Department itself. She also asked that the organisation of fraud work should be resolved as soon as possible and that consideration should be given to charging for ACAS advisory work.

I am copying this letter to Carys Evans (Chief Secretary's Office - with a copy of your Secretary of State's charts) and to Sir Robin Butler and Sir Angus Fraser.

and ultimately what benefits were being secured through the ET scheme.

ANDREW TURNBULL

Clive Norris, Esq.,
Department of Employment.

Prime Minister

This is a much better report than the inadequate one you saw last July. All ~~the~~ Departments concerned plus Peter Kemp are contacted. Contact to endorse the

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20 February 1990
conclusions in paragraph 16?

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PRIME MINISTER

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GOVERNMENT RESEARCH ESTABLISHMENTS : NEXT STEPS ACTION PLAN

INTRODUCTION

1. My minute of 12 July 1989 reported on the steps being taken by Departments to assess the feasibility of turning their Research establishments into Next Steps Agencies. It also considered the scope for Departments commissioning work on the basis of competitive tendering; and proposed guidelines for the development of an internal market within Government for the provision of R&D and scientific and technical support services.
2. In response you expressed concern at the rate of progress and asked that further consideration be given to the preparation of an action programme. That has now been done. This report sets out the details of progress made so far and the timetable for implementing the remaining stages.
3. The report also raises the question of whether the cause of greater efficiency in the use of resources available to support Government's requirements for R&D and scientific and technical support services might not be better served by expanding the proposed internal market to encompass other suppliers (eg the Research Council Institutes, Atomic Energy Authority, and perhaps the Higher Education Institutes). This of course would need to be done without

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prejudice to the timetable for establishing the Government Research Establishment Agencies in their own right.

Action Plan for the Research Establishments

4. Annex A , Part 1 shows that considerable progress has been made already. Two Government Research Establishment (GRE) Agencies have now been established (Warren Spring Laboratory and the Laboratory of the Government Chemist). A further five are due for launch by summer 1990, with three more following in April 1991.

5. There has also been a good measure of acceptance of the main points of the guidelines I proposed in my minute of 12 July 1989. Annex A, part 2 shows the timetable for the adoption of those guidelines which will be critical to the formation of the internal market. Again the latest date for implementation is April 1991, although some Departments already have the necessary procedures in place, or wish to adopt them from April 1990.

6. Arrangements to establish the Defence Research Agency (DRA) and a supporting customer base within MOD continue apace, with a target date for launch of April 1991. As recently announced, the DRA will be established as a Government trading fund within the Civil Service. The MOD has indicated that implementation work to meet the distinctive needs of defence research will take account, wherever appropriate, of the guidance developed for the internal market. I am hopeful that this will lead to substantial participation by the MOD and the DRA in that market.

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7. I recommend that I and the Next Steps Project Manager be invited to work with Departments to ensure that the targets set out in annex A are met.

8. In line with the Government's response to the 3rd Report of the House of Lords Select Committee on Science and Technology, Departments with Research Establishments are introducing clearer customer-contractor relationships into the arrangements for commissioning research and the provision of scientific and technical services. This will create the environment within which appropriate competition can take place and an internal market can develop. In turn this will produce the pressures for rationalisation of facilities and increases in efficiency within the Establishments, and force Departments themselves to examine more critically their R&D and technical support service requirements.

Action by Central Departments

9. These changes entail profound adjustments in culture, organisation and working practices for both the Establishments and Departments alike. Establishments are having to put in place commercial style financial and management systems, while Departments are wrestling with developing the ability to act as intelligent customers for work and ensuring clear line-management separation between their ownership and customer roles. In this they are

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receiving the cooperation and assistance of Central Departments. However, a particular problem is to ensure that there is a broadly similar approach to the application of the central Guidance on Charging. Otherwise the playing field for the internal market will be tilted. At my request, the Treasury have agreed to contact each Establishment to check Departmental practices and, if necessary, to clarify or revise the Central Guidance.

10. The financial regimes under which the GRE Agencies operate will be crucial to the proper operation of customer-contractor relationships. GREs can become trading funds under the Government Trading Funds Act 1973 if and when this is appropriate. Where it is not, I believe that exemption of the GREs from gross running cost controls is an essential prerequisite if an internal market for the provision of R&D and technical support services is to evolve. The internal market and performance measurement disciplines that my initiative requires of GREs fit closely with what is required for exemption. Indeed the Chief Secretary has already exempted two existing GRE Agencies and two of those due for launch in April 1990.

11. In light of the targets set out in the Annex A and the action already being taken by Central Departments, I recommend that April 1991 should be the target date by which Departments'/GRE operating procedures are normalised in line with my earlier Guidance Notes so that where appropriate fair competition can emerge.

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Future Developments

12. Under customer-contractor relationships, Departmental customers should be free to place commissions with whichever organisation can provide the best overall value for money. In addition to private sector companies and the GREs themselves, other bodies such as the Research Council Institutes, the Atomic Energy Authority and possibly the universities could undertake the work. Some Departments already use these bodies extensively.

13. Both the Department of Education and Science and the Department of Energy are anxious to examine how the relationship between the internal market for the GREs and these other bodies might develop. There certainly may be scope for wider competition, in which case it would be important to ensure that within such an expanded market all parties traded on equitable terms. Further consideration needs to be given to how this might be achieved.

14. The position of the universities is particularly complex. Although I believe that they would benefit from participating alongside the GREs in the market for Government contracts, it would be important to ensure that such participation did not divert them from their primary role.

15. I recommend that you invite me to consider further, with the Department of Education and Science and the Department of Energy, the role that the Research Council Institutes, the Atomic Energy Authority and possibly the Higher Education Institutes can play in complementing the internal market for the GREs.

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Conclusions

16. In summary, I recommend that you invite E(ST) colleagues and other Ministers responsible for Departments with GREs to:

- i) take note of the progress outlined in Annexes A & B;
- ii) invite me together with the Next Steps Project Manager to work with Departments on ensuring that the targets set out in Annex A are met.
- iii) agree that April 1991 should be the target date by which Department's/GRE operating procedures are normalised in line with my earlier Guidance Notes so that where appropriate fair competition can emerge.
- iv) invite me to consider, within an agreed timetable, with the Department of Education and Science and the Department of Energy the role that the Research Council Institutes, the Atomic Energy Authority and possibly the Higher Education Institutions play in complementing the internal market for the GREs.
- v) invite me to make a further report on progress in April 1991

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16. I am sending copies of this report to other members of E(ST), the Secretaries of State for the Home Department, Employment and Scotland, the Minister for Overseas Development, the Minister for the Civil Service, Sir Robin Butler and Peter Kemp.

John

JOHN FAIRCLOUGH
Chief Scientific Adviser

NEXT STEPS : GOVERNMENT RESEARCH ESTABLISHMENT AGENCIES

ACTION PLAN

Part 1

Dept	Unit	Agency Status		
		(1) Unit is being or has been considered for Agency status? (YES/NO)	(2) Target Date for, or actual date of, announcement as Agency candidate	(3) Target Date for, or actual date of launch as Agency
DoE	BRE	YES	24 OCTOBER 1988	APRIL 1990
Dtp	TRRL	YES	(See Note 1)	
MAFF	ADAS/CVL	YES	20 APRIL 1989	APRIL 1990
	ADAS/RDS	YES	MARCH 1990	APRIL 1991
	FSL	YES	} Candidature } unlikely to be } pursued } (see Note 2)	
	FRL	YES		
	Torry RL	NO (but will be reconsidered in 1991/92)		
Home Office	FSS	YES	23 MAY 1989	APRIL 1991
DTI	NEL	YES	24 JULY 1989	SUMMER 1990
	NPL	YES	7 JUNE 1988	SUMMER 1990
	LGC	ESTABLISHED	7 JUNE 1988	30 OCTOBER 1989
	WSL	ESTABLISHED	7 JUNE 1988	20 APRIL 1989
DEm	HSE/RLSD	YES (but See Note 3)		

ACTION PLAN

Part 1 (contd)

		Agency Status		
Dept	Unit	(1) Unit being actively considered for Agency status? (YES/NO)	(2) Target Date for, or actual date of, announcement as Agency candidate	(3) Target Date for, or actual date of launch as Agency
ODA	ODNRI	YES	DECEMBER 1989	APRIL 1990
SO	Marine Lab FFL	YES	(See Note 4)	
	Agric. Sc. Services	YES	1 APRIL 1990	
MOD	RAE/ARE/ RARDE/RSRE	YES as part DRA proposal	16 MARCH 1989	APRIL 1991

Notes:

1. A review of customer held budgeting arrangements is in progress. The decision on Agency status will be taken in the light of that review and the scope for securing scientific advice in support of policy.
2. Agency status has been considered, but is unlikely to be pursued at this stage as the function of these Establishments is not primarily R&D but scientific monitoring and advice in support of policy.
3. HSE's Research and Laboratory Services Division is being considered as part of a wider review of the status of HSE as a whole.
4. FFL/FRS unlikely to be pursued as candidate at this stage in view of priority accorded to other DAFS candidates and the need to have regard to continuing links with MAFF Fisheries research.

Key:

- BRE - Building Research Establishment
- TRRL - Transport and Road Research Laboratory
- ADAS - Agricultural Development and Advisory Service
- ADAS/CVL - Central Veterinary Laboratories
- ADAS/RDS - Research and Development Services
- FSL - Food Science Laboratories
- FRL - Fisheries Research Laboratories
- Torry RL - Torry Research Laboratory
- FSS - Forensic Science Service
- NEL - National Engineering Laboratory

Key (contd):

- WSL - Warren Spring Laboratory
- LGC - Laboratory of the Government Chemist
- NPL - National Physical Laboratory
- HSE/RLSD - Health and Safety Executive / Research and Laboratory Sciences
Division
- ODNRI - Overseas Development Natural Resources Institute
- FFL - Freshwater Fisheries Laboratory

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ACTION PLAN

Part 2
OPERATING ENVIRONMENT

Guiding Principles	DoE	DTp	MAFF	Home Office	DTI	DEm	ODA	SO
<p>1. Departments should employ customer-contractor principles to commission R&D and technical services and advice from Government Research Establishments and elsewhere. In particular, departmental customers should:</p> <p>a) hold the budget and be accountable for the nature of the R&D commissioned and technical support services purchased;</p> <p>b) have freedom of choice on what work to commission and where to place it within the public or private sector;</p> <p>c) develop mechanisms to become an intelligent customer for both short and long-term work;</p> <p>d) normally use competitive tendering procedures to place work unless there are significant cost or other value-for-money considerations that justify single tender action.</p>	Current Practice	Arrangements still under consideration	Accepted	Accepted	Accepted	Arrangements still under consideration	Current Practice	Accepted as far as is Practicable
TARGET DATE FOR INTRODUCTION	In Place	-	Apr 1991	Apr 1991	Apr 1990	-	In Place	1991

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ACTION PLAN

s.u.c. = still under consideration

Part 2 (CONTD)

Guiding Principles	DoE	DTp	MAFF	Home Office	DTI	DEn	ODA	SO
2. A clear separation should be maintained between the line management responsible for the Department's ownership role and the Department's customer functions.	Accepted	Largely in Place	Accepted	N/A H.O not customer of FSS	Accepted	s.u.c.	Accepted	Accepted as far as Practicable
TARGET DATE FOR INTRODUCTION	Apr 1990	-	Apr 1991	-	Apr 1990	-	Apr 1990	1991
3. Establishments should have a pricing policy based upon the recovery of full economic costs.	Accepted	(s.u.c)	Accepted	(s.u.c)	Accepted	s.u.c	Accepted	s.u.c.
TARGET DATE FOR INTRODUCTION	Apr 1990	-	Apr 1991	-	Apr 1990	-	Apr 1990	-
4. The cost of seed-corn research to be recovered through the overhead charges applied to each contract.	Accepted	Current Practice	Accepted	(s.u.c)	Accepted	s.u.c	s.u.c. to be resolved by Apr90	s.u.c
TARGET DATE FOR INTRODUCTION	Apr 1991	In Place	Apr 1991	-	Apr 1991	-	-	-
5. Establishment Agencies should have greater delegated responsibility for financial matters and management and personnel requirements.	Accepted	Largely in Place	Accepted	Accepted	Accepted	s.u.c.	Largely in place	s.u.c.
TARGET DATE FOR INTRODUCTION	Apr 1990	-	Apr 1991	Apr 1991	Apr 1990	-	Apr 1990	-

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ANNEX B

NEXT STEPS : GOVERNMENT RESEARCH ESTABLISHMENT AGENCIES

ACTION PLAN : PROGRESS ON IMPLEMENTATION

DoE

Agency Candidate: Building Research Establishment (BRE)

Target Launch Date: April 1990

Progress Status: Detailed planning well advanced

Customer-Contractor Relationships:

Arrangements have been in place since 1981 whereby the budgets for research are held by the relevant policy command. Since 1987, BRE has had to bid for work from these budgets. For the future, DoE customers will increasingly consider the use of external suppliers of research and advice, but will wish to ensure that BRE remains able to provide the technical underpinning required for policy decisions. In 1986, Ministers accepted the conclusions of an external review of BRE which reported that the Department needed to maintain an in-house capability. As a result, BRE's work programme will be a blend of commissions direct from the Department in areas where in-house expertise is essential; and commissions won in competition with other potential suppliers. The DoE customer's responsibilities for securing value for money will ensure that pressure is maintained on BRE to perform equally well in both categories.

Control and Performance Measurement:

The Agency Framework Document will provide for the annual preparation of a Corporate Plan which sets out the Chief Executive's forward programme for the Agency. It will also provide for the Chief Executive to report progress in meeting Agency's performance targets. Both documents will be formally submitted to the Secretary of State.

Financial Regime:

BRE will be exempt from gross running costs from 1 April 1990. From that date the Agency will charge full economic costs to all customers.

Funding of Seedcorn Research:

The costs of seedcorn research will be recovered through overheads. Implementation of this approach is likely to be deferred until April 1991 by which time the PES implications should have been resolved.

Interface with Private Sector:

BRE as an agency will be required to secure a targeted proportion of its income from non-Exchequer sources through research and consultancy services. The proportion envisaged is between 10 - 15% in the medium-term.

DTP

Potential Agency Candidate: Transport and Road Research Laboratory (TRRL)

Consideration is still being given to whether or not TRRL might be a suitable agency candidate and on what timescale.

MAFF

Agency Candidate: Central Veterinary Laboratory
Target Launch Date: April 1990
Progress Status: Detailed planning well advanced

Agency Candidate: ADAS/Research and Development Service
Target Launch Date: April 1991
Progress Status: Consideration currently being given to wider organisational changes in ADAS. But it is already clear

that the R&D services' Central Science Laboratory, with or without all or some of the experimental farms and centres, is a suitable Agency candidate.

Customer-Contractor Relationships:

Following a recent review of the arrangements for commissioning R&D, work is in hand to identify customers within policy divisions and to devolve budgetary responsibility to them. The Chief Scientists' Groups will play a central role in appraising, commissioning and monitoring work on the customers' behalf. These arrangements will apply in the case of CVL and the same broad approach is likely to be followed for other agency candidates. Policy customers, advised by the Chief Scientists and in consultation with others concerned, will have and will be required to exercise freedom of choice between potential suppliers. The new arrangements are already being put in place with a target date for completion of April 1991.

Control and Performance Measurement:

The Framework Documents for CVL and any other agency candidates in the research area will require them to meet challenging financial and efficiency targets. These will also be included in the corporate and business plans approved by Ministers. Each Agency's performance will be monitored by the Departmental Ownership Board.

Financial Regime:

All in-house contractors will be required to recover full economic costs from April 1991. In the case of CVL, Trading Fund status is the longer-term objective. In the interim exemption from gross running cost controls will be sought.

Funding of Seedcorn Research:

The costs of seedcorn research will be recovered through overheads charged to customers. The target date for introducing this approach is April 1991.

Home Office

Agency Candidate: Forensic Science Service (FSS)

Target Launch Date: April 1991

Progress Status: Planning in early stages

Customer-Contractor Relationships:

The Home Office is not a customer of the Forensic Science Service except in so far as advice is required on technical aspects of policy in the criminal justice area. The police are the main customers. Other customers include the Crown Prosecution Service and coroners. Currently the FSS operational laboratories are funded through the Common Police Service arrangements, whilst FSS/HQ and Central Research and Support Establishment (CRSE) are funded direct by the Home Office. The aim is to introduce direct charging to the police and other customers on the basis of full economic cost recovery from April 1991. Present customers are already free to obtain assistance from other suppliers.

Control and Performance Measurement:

A range of performance measures will be developed as part of the transition to agency status. The customer-contractor relationship will be monitored by feed back from the laboratory User Boards.

Financial Regime: Aim to recover full economic costs from April 1991

Funding of Seedcorn Research:

Mechanism still under review. Decision will be reached before April 1991.

DTI

Agency Candidate: Warren Spring Laboratory
Launch Date: 20 April 1989
Progress Status: Agency Established

Agency Candidate: Laboratory of the Government Chemist
Launch Date: 30 October 1989
Progress Status: Agency Established

Agency Candidate: National Physical Laboratory
Launch Date: Summer 1990
Progress Status: Detailed planning well advanced

Agency Candidate: National Engineering Laboratory
Launch Date: Summer 1990
Progress Status: Detailed planning well advanced

Customer-Contractor Relationships:

From April 1990, the DTI's requirement for scientific and technical support work is being placed onto a formal customer-contractor basis. Work undertaken at the Department's own Research Establishments will be commissioned on exactly the same basis as work commissioned outside the Department. Each programme will have a DTI Headquarters Division as customer which will have freedom of choice between potential suppliers in placing work. Staff in customer Divisions are already well placed to act as intelligent customers.

Control and Performance Measurement:

DTI Ministers will set performance and financial targets for the RE's. The Chief Engineer and Scientist, assisted the Agency Steering Board, is responsible for advising on the targets, monitoring performance against them and reporting to Ministers. The targets and an annual review of

performance will be published.

Financial Regime:

WSL and LGC will be exempt from gross running cost controls from April 1990, and will use full economic costing to finance their operations from receipts. NPL and NEL will remain under gross running cost control for the time being, but will be subject to the same customer-contractor mechanisms as the other Laboratories.

Funding of Seedcorn Research:

The cost of seedcorn research will be recovered through overhead charges to all customers as soon as possible. The present target date is April 1991.

Interface with Private Sector:

The framework documents for WSL and LGC require them to work primarily for Government. A similar duty will be placed upon NPL when it becomes an Agency. As NEL is being prepared for privatisation, it would be inappropriate to restrict the amount of work it undertakes for the private sector.

ODA

Agency Candidate: Overseas Development Natural Resources Institute(ODNRI)

Launch Date: April 1990

Progress Status: Detailed planning well advanced

Customer-Contractor Relationships:

The relationship between ODNRI and the ODA has been on a formal customer-contractor basis since 1984. ODA customer divisions already have a well-developed 'intelligent customer' capability.

Control and Performance Measurement:

The setting of policy objectives for the Institute and the monitoring of its performance will be exercised through a Steering Board chaired by senior ODA management. Inter alia, the Board will advise the Minister on the objectives and work programme for the Institute (as set out in the Corporate Plan), and achievements against financial and performance targets.

Financial Regime:

The Institute's operations will be fully customer-driven. The Agency will be fully self-financing from contract income directed at full economic cost recovery.

Funding of Seedcorn Research:

The present core grant to ODNRI includes provision for the Director to devote up to 10% of operation effort to projects of his own choosing. Future arrangements will dispense with core funding. As a result, the way in which seedcorn research will be funded for the future is still under review.

Scottish Office

Agency Candidate: Agricultural Scientific Services (ASS)

Launch Date: Too early to say but candidature for Agency status is expected to be announced in April 1990.

Customer-Contractor Relationships:

The current arrangements do not separate the role of Department as customer and owner as sharply as is implied in the Cabinet Office Guidelines. As a result, for the future it is intended to strengthen the formal arrangements within the Department by which both R&D and the other work undertaken by ASS is commissioned. This will take account as far as practicable of the Cabinet Office Guidelines, with particular reference

to a clear definition of the role of the Department as owner and customer and the ASS as contractor. The new arrangements will form part of wider revised procedures for commissioning and reviewing R&D over the Department as a whole. These would incorporate the new ROAME assessment procedures, strengthen the capacity to act as an intelligent customer and enhance competition.

Cabinet Office

13 February 1990

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VALUE FOR MONEY SEMINAR: EMPLOYMENT

The Department of Employment spends nearly £4 billion a year. In addition, it administers nearly £5 billion of benefits to the unemployed on behalf of the DSS. In recent years the Department has undergone considerable change:

- the Jobcentres/Unemployment Benefit office network is being rationalised;
- Skillcentres are being privatised;
- considerable functions are being devolved from the Training Agency to employer-led Training and Enterprise Councils.

The nature of the task facing the Department has also changed. No longer is it dealing with unemployment of over 3 million. This has had two consequences:

- the focus has shifted from simply getting the unemployed off the register towards skills training;
- those who remain unemployed tend to be the much "harder cases".

This note does not attempt to cover the entire DE waterfront. Instead it concentrates on a few specific areas where the changes noted above have the most impact.

1. The role of the Training Agency.

2000

11000
2000
5000 - 7000

At present there are 11000 people in the Training Agency. 2000 of these are located in the Head Office in Sheffield. Hitherto the Agency (and its predecessor the MSC) played a

4,000

major role in designing, developing and delivering the big, centralist programmes like YTS and ET. Following the TEC initiative it is clear that the role of the Training Agency will have to change fundamentally. Design and delivery of programmes will be the responsibility of TECs. The new role of the Training Agency should be that of a regulator, monitoring performance and ensuring proper accountability for public funds.

5000 Training Agency staff are to be seconded to TECs. But at present most - if not all - of these are currently working in the Training Agency's Area Offices. A substantial corps will still remain in the Head Office and Regional Offices. The combined total of this group is expected to fall only marginally to just under 3000. There is, therefore, potential for much duplication between the Training Agency and (a) TECs (b) the Department of Employment HQ.

For example:

- the Training Agency has its own economists, so too does DE HQ. Why do we need both?
- the Training Agency want to continue to advise the Secretary of State on national training policy. But what do the officials in Caxton House do?

Questions to ask:

1. Once TECs are up and running what will the size of the Training Agency be? 3000.
2. What will its functions be?
3. Won't there be overlap between the roles of the Training Agency and Department of Employment HQ?
2. The Effectiveness of Employment Training (ET).

ET is by a significant margin the largest programme DE run. At around £1.3 billion it accounts for almost half of the department's total training and education budget.

It was intended to offer a proper training scheme for the long-term unemployed (rather than just a make-work scheme). Norman Fowler gave it priority over Youth Training in the last PES negotiations.

But on any measure ET has had its problems:

- the drop-out rate has been appalling: only 10 per cent of those referred to ET from the Employment Service complete the scheme;
- costs have been creeping up: the average cost per week of a place on ET has risen from £104 to £108.

Some have suggested that the reasons for the poor drop-out rate is underfunding. But this misses the point. Attendance on ET is meant to be used to help test peoples' eligibility for benefit. If someone is referred to ET and fails to attend, their entitlement to benefit should be in jeopardy.

There are three more plausible reasons for the drop-out rate:

First, failure to follow up. All the long term unemployed are offered Restart interviews. 85 per cent of those interviewed are offered opportunities. 71 per cent of those receiving an offer accept it, but most of these (almost threequarters) fail to follow it through. They never turn-up.

Does this mean a) that they were unemployed and have been successfully chased off by registers or b) that having attended the interview they creep back onto the registers?

Second, the referral process is unnecessarily protracted. ET pioneered the concept of Training Agents. Previous schemes such as YTS etc ensured that the unemployed were sent directly from the Employment Service to the people who were going to organise their training. ET included an extra intermediate stage - the Training Agent - at which the needs of the unemployed are assessed. Not only does this extra tier raise the overhead costs of ET, but builds

an additional point at which a poorly motivated person might drop-out.

Third, the original ET concept may have been too ambitious. ET is meant to provide the long-term unemployed with skills for work. But as long-term unemployment falls, we are beginning to get to the really hard cases at the bottom of the barrel. It would be nice to think that their problems were simply a lack of skills. But more often than not it is a basic lack of the necessary motivation to venture beyond the frontdoor of their council estate flat. No amount of programme enrichment is going to tackle this problem

The solutions to these problems may be:

- (a) that the Training Agent system should be abandoned. Referral from the Employment Service should be made direct to those organising the training.
- (b) that serious thought should be given to making ET compulsory for the very long term unemployed. (ie if you fail to take up the offer of a place, you lose benefit automatically.) This may be the only way to shock the hard core out of debilitating dependency.

Questions to ask

1. How effective have Training Agents been?
2. What effect has the strengthening of the "actively-seeking-work" test had on unemployment and attendance rates on ET?
3. What consideration has been given to making ET compulsory for the very long-term unemployed?
4. Has Restart/ET begun successful in convincing people off the register, or have people learned to do the minimum as taken appearance with Training Agent, to stay on benefit?

Enterprise/Education links

At present DES, DE and DTI all have an interest in this area. The scope for duplication and confusion is immense. This is clearly delicate territory and touches upon whether we any longer need a separate Department of Employment. But there is a more immediate need to rationalise effort in this field.

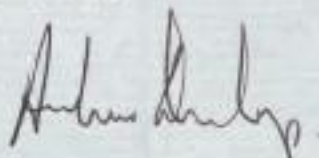
For example, there is a plethora of organisations in the field of promoting enterprising attitudes in schools and improving the relevance of the curriculum to the world of work. Moreover the titles of these organisations are impenetrable - hardly the best advertisement for those seeking their services. The main ones are as follows:

AIEC	SATRO
Careers Service	SCIP
Compacts	SILOS
CRAC	TVEI
DTI Adviser Service	UI
EcATT	Young Enterprise
Mini-Enterprise in Schools Project	

These are either Government organisations or organisations receiving funding from Government.

Questions to ask:

1. How many schemes/organisations are there promoting industry/education links?
2. Are they effective? Are there too many?
3. What plans are there to try and rationalise the Government's efforts in this area?



ANDREW DUNLOP

PRIME MINISTER

THE EMPLOYMENT DEPARTMENT GROUP - VALUE FOR MONEY SEMINAR ON
21 FEBRUARY 1990 AT 3.30PM

INTRODUCTION

1. This will be the third Value for Money Seminar with the Department of Employment Group. Michael Howard and Geoffrey Holland will attend. The Group consists of the central Department, the Training Agency, the Health and Safety Commission, ACAS, Industrial Tribunals, and the Employment Service which will become a Next Steps Agency from 2 April 1990.

Projected expenditure and staffing levels for 1990/91 are:

	<u>Staff</u>	<u>Expenditure £m</u>
Central Headquarters	3420	339
Employment Services	<u>36086</u>	415
Training Agency	9719	2881 →
HSC	<i>H's 4-5</i> 3793	117
ACAS	642	18
	-----	-----
TOTALS	53660	3770
	-----	-----

Detailed figures are at Annex A.

You have held previous seminars with Norman Fowler on 28 February 1988 (Note at Annex B) and on 6 June 1985.

AIM

2. The main aims of the seminar are:

- a. to discuss the Department's plans to cope with major changes in the labour market and to ensure that this country has an adequately trained workforce;
- b. to test progress towards assessing the major programmes in terms of outputs rather inputs and how this can be shown to be delivering better value for money;
- c. to discuss the plans for handling major organisational changes in the Group and in particular the scope for reducing running costs.

3. The remainder of this brief suggests some points to raise for each of the main component parts of the Department, and Annex C lists all the questions raised.

CENTRAL HEADQUARTERS

4. Major challenges for the Headquarters result from significant changes in the external environment and from planned organisational changes within the Group. The number of people registered as unemployed for more than a year is now half the 1986 level and a fall of some half a million 16-19 year olds coming on to the market is forecast up to 1993. In addition there are likely to be skill shortages and geographical labour supply problems. The Employment Service will be launched as an Executive Agency from 2 April 1990, and 120 TECs are planned to be established by 1992. A key issue is to determine the future role of the Department's centre, together with the management system necessary to exercise it.

Points to Raise

- a. What is the future Headquarters role when the Employment Service is established as an Agency, and the major training programmes are delivered by TECs? What are its minimum functions and what are the targets to reduce Headquarters staffing levels?

EMPLOYMENT SERVICE

5. The Employment Service was formed in 1987, bringing together the network of Job Centres and Unemployment Benefit Offices and other related employment functions. After much delay, it is due to become in April 1990 the largest Next Steps Agency to date, with the aim of integrating the unemployment benefit service and job centre network under a "one-roof" policy. It will be important to have specific output targets for the Agency.

Points to Raise

- a. What targets have been set for savings in staff numbers and for accommodation economies, given the rationalisation of resources? (Expenditure plans show projected staff numbers rising from 36,086 in 1990/91 to 36,927 in 1991/92 and only falling slightly to 36,196 in 1992/93 in spite of the proposed amalgamation of Job Centres and Unemployment Benefit Offices.)
- b. What strategic value for money targets have been set for the Chief Executive of the Agency?
- c. What is the current unit cost for getting people off the register? What targets have been set for reducing this unit cost?

TRAINING AGENCY

6. The Training Agency has been part of the Department since 1988, when the Department took back responsibility for the Training Commission (previously the Manpower Services Commission). It is responsible for training programmes such as Employment Training and the Youth Training Scheme (to be replaced by Youth Training in 1990) and for vocational education. The follow up to your seminar on training will of course be looking at the strategy in this field.

The Department will need to define clearly the respective roles and responsibilities of its Headquarters and the Training Agency regional offices in order to determine its management strategy, and develop management systems to cope with the setting up of Training and Enterprise Councils as the local deliverers of training.

Points to Raise

- a. Why do running costs not reduce when Training Agency manpower is set to fall as TECs assume responsibility for delivering the training? And what financial targets have been set for the transfer of training functions to the private sector?
- b. What improvements are being sought in Training Agency overall objectives, such as reducing skill shortages, and what performance indicators have you selected? What has been achieved against previous targets set, for example on the YTS programme where in your last seminar a target of 70% qualifications was identified?
- c. What targets have been set for reductions in senior management posts as part of the general reduction of Training Agency staff numbers? (Some 40% of the Department's 129 staff in Grades 1-5 are employed in the Agency and this proportion has been steady for the past 3 years.)

HSC/HSE

7. The Health and Safety Commission (HSC) and its operational arm the Health and Safety Executive (HSE) came into being as a result of the Health and Safety at Work Act 1974. The Department is on the receiving end of a growing number of EC regulations and directives on Health and Safety issues, which form part of the Social Charter.

Points to Raise

- a. What is the cost to HSE and the compliance cost to British industry of the increasing number of EC health and safety directives/regulations? Is the Executive measuring this and developing a strategy if the costs are unacceptable?

SCRUTINIES

8. There is no particular need to dwell on this aspect since the future programme is well in hand. The Group has a good record for selecting substantial topics for scrutiny, but a comparatively poor record in timely completion and implementation. A Fraud scrutiny, carried out jointly with DSS, showed that the overlap and confusion between the two Departments' responsibilities made fraud less likely to be detected. The Departments still have not reached agreement on how a unified organisation or a readjustment of the boundaries would be helpful. There was a YTS scrutiny and this showed the need to change the scheme significantly if the appropriate level of the skill attainments were to be reached. Currently action on both is delayed. If implemented they would be expected to save some £30m and £58m per annum respectively.

A scrutiny on the Take up of Referrals to the Employment Training Programme is in progress, and is showing a potential conflict between the objectives of the Employment Service and the Training Agency.

A scrutiny on Group Information and Communication strategy has been offered for 1990, in the light of organisational and locational changes.

Points to Raise

- a. What targets are being set for the Department's Fraud work and how can these be improved by implementing, jointly with DSS, the scrutiny recommendations?

Angus Fraser

ANGUS FRASER

15/2

THE EMPLOYMENT DEPARTMENT GROUPStructure

The Group comprises the Department itself, the Training Agency which since 1988 has been part of the Department, the Employment Service which will become a 'Next Steps' Agency on 2 April 1990 and 2 grant-in-aid bodies: the Health and Safety Commission and the Advisory, Conciliation, and Arbitration Service.

Expenditure

The Group plans to spend £3,770 million (net) in 1990-91. The main items are shown below:-

	<u>1990-91 Plans (£m)</u>
SKILLS AND COMPETENCE FOR WORK	
Training for the employed	55
Youth Training	907
Training for unemployed adults	1,219
Education Initiatives	268
Training and Education Support & other	82
HELP FOR UNEMPLOYED PEOPLE	
Restart	82
People with disabilities	149
Placings and payment of benefit	485
ENTERPRISE AND JOB GROWTH	
Small Firms	19
Enterprise Allowance Scheme	145
Tourism	45
A POSITIVE ENVIRONMENT FOR WORK	
ACAS	18
Health and Safety Commission	155
OTHER EMPLOYMENT SERVICES	168

Manpower

Plans for 1990-91:	Training Agency	9,719
	Employment Service	36,086
	ACAS	642
	HSC/HSE	3,793
	Other	3,420
	TOTAL	53,660



10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

25 February 1988

*Dear Nicholas,*VALUE FOR MONEY SEMINAR: DEPARTMENT OF EMPLOYMENT GROUP

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

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

The following points were raised in discussion about the charts:

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

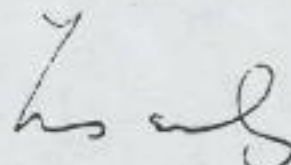
Department was that the running cost regime inhibited them from spending money on such initiatives since the consequent public expenditure savings in programme expenditure were not credited against running costs. The Department hoped that the financial arrangements for the Employment Service agency would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

- (iii) The Prime Minister asked about the entitlement of Land Rover workers to unemployment benefit if they found themselves out of work as a result of their current strike. Would they be regarded as having made themselves voluntarily unemployed and thus ineligible for unemployment benefit? Your Secretary of State undertook to let the Prime Minister have a note.
- (iv) In answer to a question from the Prime Minister about training to meet the needs of the local job market, your Permanent Secretary noted that training was now much more directed to the needs of the local market, as was evidenced by the fact that 90 per cent of training jobs were now with employers.
- (v) The Prime Minister asked, in connection with chart J in your Secretary of State's presentation, whether there was an inconsistency between the rapid increase in the number of YTS trainees gaining qualifications (projected to rise from some 23 per cent in 1987/88 to over 70 per cent by 1991) and the much smaller increase forecast in the percentage of young people in work or training after YTS. The chart appeared to suggest that the gaining of qualifications by YTS trainees had little effect on their ability to secure a job or training after their YTS experience. The Secretary of State undertook to consider this point.

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

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

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



Nigel Wicks.

(N.L. WICKS)

Nicholas Wilson, Esq.,
Department of Employment.

COMPLETE LIST OF POINTS TO RAISECENTRAL HEADQUARTERS

1. What is the future Headquarters role when the Employment Service is established as an Agency, and the major training programmes are delivered by TECs? What are its minimum functions and what are your targets to reduce Headquarters staffing levels?

EMPLOYMENT SERVICE

2. What targets have been set for savings in staff numbers and for accommodation economies, given the rationalisation of resources? (Expenditure plans show projected staff numbers rising from 36,086 in 1990/91 to 36,927 in 1991/92 and only falling slightly to 36,196 in 1992/93 in spite of the proposed amalgamation of Job Centres and Unemployment Benefit Offices.)
3. What strategic value for money targets have you set for the Chief Executive of the Agency?
4. What is the current unit cost for getting people off the register? What targets have you set for reducing this unit cost?

TRAINING AGENCY

5. Why do running costs not reduce when Training Agency manpower is set to fall as TECs assume responsibility for delivering the training? And what financial targets have been set for the transfer of training functions to the private sector?
6. What improvements are being sought in Training Agency overall objectives, such as reducing skill shortages, and what performance indicators have you selected?. What has been achieved against previous targets set, for example on the YTS programme where in your last seminar a target of 70% qualifications was identified?
7. What targets have been set for reductions in senior management posts as part of the general reduction of Training Agency staff numbers? (Some 40% of the Department's 129 staff in Grades 1-5 are employed in the Agency and this proportion has been steady for the past 3 years.)

HSC/HSE

8. What is the cost to HSE and the compliance cost to British industry of the increasing number of EC health and safety directives/regulations? Is the Executive measuring this and developing a strategy if the costs are unacceptable?

SCRUTINIES

9. What targets are being set for the Department's Fraud work and how can these be improved by implementing, jointly with DSS, the scrutiny recommendations?



MO 8/14J

PRIME MINISTER

THE 2.5% EFFICIENCY PROGRAMME: THIRD PROGRESS REPORT

I enclose the third progress report on my Department's 2.5% Efficiency programme. The Report shows the position at the end of December 1989.

2. I am sending a copy of this minute to the Chief Secretary, and to Sir Robin Butler and Sir Angus Fraser.

Ministry of Defence
15th February 1990

(T K)

THE MINISTRY OF DEFENCE'S 2.5% EFFICIENCY PROGRAMME:

THIRD REPORT

Introduction

1. Since the second report on the Department's Efficiency Programme in June 1989, work has continued to identify further measures for 1989/90 and 1990/91, and to validate measures already identified for all three years of the programme.

1988/89 and 1989/90

2. The last report provisionally assessed achievement for 1988/89 as £391M against the target of £310M. On out-turn, we did even better at £421M, (subject to the final results of the special audit of selected measures referred to in the previous report).

3. The cumulative target for 1989/90 is £620M. Measures totalling £575M had been identified by 31 December 1989, and effort continues to meet the remaining £45M. The contribution of each of the five management areas so far is as follows:

Area	(£M at LTC 89 prices)			
	1988/89		1989/90	
	Target	Achievement	Target	Measures Identified
Navy	79	88	158	164
Army	110	161	220	202
Air Force	90	151	180	172
PE	21	15	42	27
Centre	10	6	20	10
TOTALS	310	421(1)	620	575(2)

(1) Net of some £24M of expenditure (Navy £9M, Army £7M, Air Force £8M) on "spend to save" measures.

(2) Net of some £37M of expenditure (Navy £18M, Army £6M, Air Force £13M) on "spend to save" measures.

4. Finding new measures to meet the 1990/91 target of £930M is proving a stiff task, but the target is not being abated and I am determined to meet it.

Measures

5. A wide range of efficiency measures has been identified, including many local initiatives. Examples are:

- a. Reducing the proportion of Naval weapons out of the front-line in repair and handling cycles.
- b. Operators of some equipment in RN ships to maintain it too.
- c. Improved efficiency in Forces' mail handling by increasing the volume carried whilst using less manpower.
- d. The employment of families in civilian posts in Germany in place of German nationals (who are more costly).
- e. Reductions in Tornado training ammunition while maintaining operational standards.
- f. Extensions of intervals between major servicings of Hercules aircraft while maintaining safety and reliability standards.
- g. Increased output from Royal Aircraft Establishment wind tunnel measurements.

Output Enhancements

6. Recorded output enhancements, validated as being necessary for defence purposes, have risen to a little over 20% of the total in paragraph 4 above, but still less than we would wish. Part of the difficulty is in recording enhancements as they take place. The introduction in 1991/92 of the New Management Strategy will help us do this much better.

Rationalisation

7. A number of measures leading to bi- or tri-Service rationalisation, or functional rationalisations which release estate for disposal, have been identified. These measures are worth in total some £300M for 1988/89 to 1990/91, of which some £50M can be attributed to bi- and tri-Service rationalisation. Action continues to achieve greater cost-effectiveness in standardisation, rationalisation and the wide use of "best practice". Examples include the implementation of the Materials Management Strategy Review, rationalised logistic support in overseas Commands, more use of direct supply of accommodation stores to Units, and more efficient use of movements resources.

Efficiency under the New Management Strategy

8. The last report described the new opportunities provided by the New Management Strategy. Work has continued ensuring that overall

efficiency targets are integrated into the budget- and objective-setting processes of the new system. The next six months will see the further development of this framework and of arrangements to ensure a smooth transition from the procedures and achievements of the present programme, including ensuring consistency in data so that the achievements of the present three-year efficiency targets are continued.

Future Targets

9. In the light of this continuing progress, further consideration has been given to the targets from 1991/2 onwards. In 1991/2, priority must be given to installing and validating the new management structures and practices of the New Management Strategy; the provisional target of 1.5% will be realistic. In the light of the Prime Minister's view that the current rate of improvement should be sustained (as an average to be achieved over a number of years) the target for 1992/93 has been raised to 2.5% and targets of 3% for the years 1993/94 and 1994/95 provisionally set.

10. These are demanding targets, especially if international events lead to substantial change and turbulence in the defence programme. The targets will accordingly be kept under regular review.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

MRS. STROUT
CABINET OFFICE

Further to my telephone call this morning, I am pleased to send you the two letters of confirmation about the Value for Money seminars on transport and environment. As usual, I have written Sir Angus in for a quarter of an hour meeting before the seminars begin. We will therefore expect Sir Angus to arrive at No.10 at 1030 on Wednesday 2 May and 1500 on Monday 2 July.

Amanda

AMANDA PONSONBY
13 February 1990

KK

File pm



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 February 1990

Dear Michelle,

As part of her series of Value for Money seminars, the Prime Minister will be holding a seminar on Value for Money in the Department of the Environment on Monday 2 July at 1515. The meeting will take approximately one and a half hours.

The Efficiency Unit will be in touch with you in the near future to discuss the agenda for the meeting and details of your Department's presentation.

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

Yours sincerely
Amanda

AMANDA PONSONBY (Mrs)

Ms Michelle Cameron
Department of the Environment.

LK



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

13 February 1990

Dear Paul,

As part of her series of Value for Money seminars, the Prime Minister will be holding a seminar on Value for Money in the Department of Transport on Wednesday 2 May at 1045. The meeting will take approximately one and a half hours.

The Efficiency Unit will be in touch with you in the near future to discuss the agenda for the meeting and details of your Department's presentation.

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

Yours sincerely
Amanda

Amanda Ponsonby

Paul Hogg Esq
Department of Transport

KIC



NOTA AT 12/2
DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Security

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
London
SW1

12 February 1990

Dear Andrews

Step
NEXT STEPS

My Secretary of State has seen Mr Kemp's minute of 30 January to you and the accompanying progress report on the Next Steps initiative.

He is pleased with the progress being made generally. He has asked me to draw your attention that, since the last report, DSS have decided that it will establish a further Agency. The National Insurance Contributions Agency will be set up from April 1991 with a staff of around 7,000, making it the sixth biggest Agency so far set up or announced. The Agency's main functions will be the collection of national insurance contributions and the proper attribution of these to individual records. This is highly specialised work which is very appropriate to the Agency method working. Indeed, the preparation for it have already highlighted a number of important issues on objectives and methods of operation, which have led us to a radical re-appraisal of the functions of this important part of the Department's work. This serves to confirm the value of the agency method of approach.

Yours sincerely,

Stuart Lord

STUART LORD
Principal Private Secretary

GOVT MAIL - Ramon 1932.



Fuly

f PC include in O/U
for VFM Seminar
HT Bkup.

P15/2



Andrew,

This is not the form
the material will
take when it reaches
No 10 - Michael
has decided the
order in which it is
to be presented should
be altered, and has yet
to opine on the content.

Also he has decided
to open the presentation
with the DE objectives
set out in the most
recent PEWP (Annex
2B) and not to
present the revised
objectives ^(Annex 2A) (he has
not considered to yet).
He will simply say he
is reviewing the objectives
on the basis of

Certain criteria which
he will list.

This material should
reach you by the
same messenger that
will take the latest
drafts of the
training and credit
papers to Brian Griffiths.

Michael is still
keen to speak to
Brian before the
Ministerial meeting.

Best wishes,

Tim

③
D
PS/SECRETARY OF STATE

cc PS/Minister of State
PS/Secretary
Mr Reid
Mr Manley
Mr Fogden
Mrs Bayliss
Mrs Wheatcroft
Miss Fahey
Mr Collins ✓

VALUE FOR MONEY PRESENTATION AT NO 10 : 21 FEBRUARY

1 Attached is the first draft of material for the Secretary of State's presentation. It comprises:

- (a) a brief "where are we going" introduction, providing the opportunity to state the Group's aim and objectives for the 1990s and to introduce the theme of organisational change;
- (b) charts and accompanying commentary about the parts of the Group and key issues facing each part;
- (c) charts and accompanying commentary on performance of the main programmes and activities.

2 Some key sections are not filled out: they require discussion with the Secretary of State. These are:

- (a) Group aim and objectives - to go in the introduction. A revised statement of the Group aims and objectives is attached† These are to be discussed at the Senior Management Group meeting on 15 February prior to full discussion with the Secretary of State. But we cannot await the outcome of that. The previous objectives are attached for reference. The main differences are more emphasis on:
 - (1) contributing towards an effective and productive labour force rather than simply increasing qualifications achieved or training volumes;
 - (2) the labour force as a whole rather than special groups and particularly the unemployed;
 - (3) working with and through others.
- (b) the future organisation - to go at the end of Part I of the presentation, or after the Introduction. This too is for discussion with the Secretary of State, in the light of a first report from Mr Manley on the functions

* Annex 1.

+ Annex 2.

of "the strategic core". That should be available next week.

3 We still have to prepare material - possibly for use if pressed rather than presentation - on the follow up to recent scrutinies. We will write the section on fraud when the outcome of the Secretary of State's letter to Mr Newton is clearer. The ET drop-out scrutiny will officially report just after the seminar, but the Secretary of State may wish to note the recommendations.

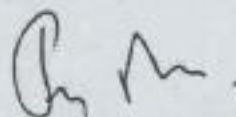
4 The Secretary of State will want to note some points about the real "Value for Money" material, covering performance, unit costs etc, in Part II. Unit costs have in many cases risen. Partly this reflects organisational turmoil. But it also reflects increased emphasis on quality not just quantity. The selective approach being developed to meet different needs in different regions, industries etc means that the unit cost of intermediate outputs sometimes rises compared with the major monolithic programmes of the 1980s. We need to get across that positive aspect of what looks like bad news (see eg EAS and the Employment Service Indicators).

5 We have a more intractable problem in presenting the ET indicators. The initial expectations on unit costs have not been met, and will not be. The client group is increasingly difficult and employers remain uninterested. Also the drop-out rate is very substantial. One conclusion is that ET is underfunded for its 1990s client group. The approach outlined in the attached speaking notes is a high risk option but the facts are known to the Efficiency Unit. We have attempted to turn them to our advantage, but the Secretary of State may wish to consider this section particularly carefully.

Presentation

6 Most of the charts will appear in sets of two on A4 pages. Charts to be presented together have been pinned, as a temporary measure. We have erred towards over-provision. The Secretary of State will want to guide us on what to cut out.

5 Further defensive briefing will also be provided.



FRMD

JENNY BACON
9 February 1990

PRESENTATION

INTRODUCTION

- We are at a pivotal point in the development of the Department and its policies and programmes.
- 1980s saw rapid expansion (organisation and budgets) to focus on high unemployment. Emphasis on quantity - big programmes to reduce numbers on the count - especially longer term unemployed and new entrants to labour market.
- 1990s labour market calls for something different - though cannot afford to ignore unemployment.
- Dual emphasis:- improving supply and utilisation of skills of people in employment
 - preventing people from becoming long term unemployed
- A switch from quantity to quality in objectives - which must be matched in value for money objectives.
- I want to position the Department for the 1990s in terms of
 - where we are going - objectives
 - in relation to other organisations - in and outside central government
 - our internal organisation.
- I see our objectives as [for DISCUSSION with Secretary of State] (See Annex 2).

- need refining, but we are working on those lines
- In terms of organisation we are in throes of major changes
 - [Charts - main changes since 1980 when first special employment measures launched]
 - A focus for much management endeavour to achieve successful change
- The changes should produce an organisation equipped to promote a competitive efficient and flexible labour market.
- Firstly, the regrouping of the jobcentre and Unemployment Benefit Service to form the Employment Service, concentrating on helping the unemployed back to work speedily. The Employment Service will form the largest Next Steps Agency so far.
- Second, the creation of Training and Enterprise Councils, private sector companies contracted to deliver our training and enterprise programmes. The first TECs will be launched in April (probably 14) with the rest of the network in place by April 1991.
- Whole shape of organisation emphasises devolution, contact with customers, responsiveness to local markets and client groups - appropriate for our increasing role of working through others, setting clear aims and targets for our policies and monitoring achievements systematically and vigorously.
- But some organisational issues [- including interfaces with other Departments -] still remain to be decided. I will come back to how we are shaping up for the future [For Discussion with Secretary of State]: a brief look at aims and issues for parts of the Group first.

PART I THE ORGANISATION

EMPLOYMENT SERVICE

Aim helping the unemployed back to work

chart shows 52% of staff work directly on administering benefit claims

nearly 20% on counselling, and fraud (Stricter Benefit Regime) and adjudication

30% on placing service, inner cities and disabled services

major task to manage 35,000 staff

main organisational aims

- establish successful agency
- integration of network

agency status will mean:

- ES managers set specific targets. These concentrate on outputs (achievements) rather than inputs.

eg numbers referred to ET, numbers of job placements.

eg local managers take decisions on staff recruitment and conditions: will enable better match of staff to business needs of agency.

- new personnel/pay structures: move away from formal Whitley system to joint cumulative approach - offers prospect of more flexible employment patterns than traditional Civil Service; ES studying alternative pay structure - including regional and performance pay.
- end product greater efficiency, cost effectiveness, value for money.

Integration of network

currently provided through local office network of 1,800 sites, employing 82% of staff.

major task

to integrate jobcentres with unemployment benefit offices: 'one stop' service will ensure claimants presented directly with employment and training opportunities - this will assist implementation of 'actively seeking work' regulations

new combined network of about 1,100 offices by 1994 (main reductions in 1992)

capital costs £36m over 3 years - savings of £12m per year.

major issues

- relationship of ES with TECs. ES plays major role on placing people in jobs and referrals to ET. May provide other services for TECs. Need to avoid different messages from ES and TA.
- how far should it charge employers for services.
- how far agency freedoms will allow local managers to vary the mix of services offered eg balance between fraud and placings activity.

TRAINING AGENCY

Aim: (skill supply, enterprise)

Major change with launch of TECs

Private sector companies under contract to Secretary of State

TECs provide increased value for money:-

- Competitive delivery arrangements
contracts based on negotiated unit costs
TECs free to negotiate unit prices with providers
- Funding increasingly linked to outputs
(10% in year 1 and increasing thereafter)
- 2% bonus for reward of good performance
- better able to obtain employer contributions

but

- less direct lever to change policies
- careful monitoring needed of £2b+ of public money

Main organisational aims

- set up, 82 successful TECs (and LECs)
- adjust role of TA staff
- adjust organisation of residual TA/consideration of Next Steps Agency

Chart indicates 5,000 staff seconded to TECs

Voluntary secondment, normally for 3 years. Work under direction of TEC Chief Executive.

Numbers likely to decrease as

- (a) staff transfer to work directly for TECs
- (b) TECs change mix to fewer, higher paid more expert staff

Staff released by TECs may cause short term problems for Group as it may not be possible to find suitable alternative employment with Group

But increasing 'privatisation' of TEC staff will be recognition of private sector responsibility for programme delivery

Major issues

- the changing role of the TA. Possible Next Steps Agency
 - (a) advising Secretary of State on national training policy and content of TEC contracts
 - (b) monitoring TEC contracts, running education programmes
 - (c) motivation and facilitation within training system

HEALTH AND SAFETY COMMISSION/EXECUTIVE

NDPB established by the Health and Safety at Work etc Act 1974 with the aim of protecting the health and safety of employees and the public who may be exposed to risk from industrial activity.

DE is the sponsoring department ie it provides the resources

but several other Ministers answer to Parliament for aspects of HSE work

Chart

eg Secretary of State for Transport: for railway and passenger safety. This will remain with DTP when Railway Inspectorate transfers to HSE (probably from early 1990-91)

Secretary of State for Energy for oil rig safety. Responsibility under consideration by Lord Cullen in his Piper Alpha enquiry remit. HSE would be prepared to undertake this work, subject to satisfactory arrangements.

Secretary of State for Environment. The new Environmental Protection Bill has been potentially a source of duplication of effort and confusion for industry. Overlap of responsibilities has been minimised by a proposed clause in the Bill. This restricts the power of HM Pollution Inspectorate and local authorities to issue authorisations covering the protection of people at work. Suitable administrative arrangements have also been made. (The Pollution Inspectorate was transferred back to DoE in 1987).

DE has an 'arms length' relationship with HSC

Chairman responsible for efficient use of resources, good standards of financial management - 3,500 staff, £155m in 1990/91.

Issues: Formal application of Next Steps approach to HSE through management statement - while respecting statutory framework of responsibilities.

growing extent of EC work - [41] directives.

ADVISORY, CONCILIATION AND ARBITRATION SERVICE (ACAS)

Aim

To promote the improvement of industrial relations.
(Statutory duty)

Chart

Its main statutory functions are individual and collective conciliation, arranging arbitration and advisory work. It also seeks to encourage employee involvement by making recommendations appropriate to the needs of particular organisations.

Chart

A small organisation with around 640 staff, total budget of about £17 million.

ACAS's responsibilities make it essential that it should be perceived as independent and impartial, and this is secured by the legislation. However, it is fully accountable to the Secretary of State on financial matters and just like the rest of the Group is charged with improving the cost effectiveness of its services.

Issue:

- Application of Next Steps approach. Aims of NDPB and relationship with Ministers are established by legislation, so not an obvious candidate for a Management Statement. But aim to use annual management plan and quinquennial review to focus on efficiency.

OTHER ED GROUP ACTIVITIES

Chart

ED HQ has number of functions which, although they take little resource, are important to overall achievement of objectives

eg Industrial relations policy, careers service support, small firms policy

Most of the 'Group' support functions are also in EDHQ

[Section on role of 'core' Group functions to reflect recommendations of Mr Manley's working group - due to report on 9 February]

THE GROUP'S APPROACH TO GETTING VALUE FOR MONEY

ED Group is continuing to change rapidly responding to changing environment in which it operates.

Very unlikely that external pace of change will slow, so Group must remain flexible and responsive.

Policies designed to cope with the major structural changes and high unemployment of the 1980s are blunt instruments for the 1990s.

The following charts both illustrate how we have performed in the past and also, on our major programmes, the direction of current thinking.

Need to recognise a diversity of issues affecting different regions, industries and participants in the labour market in different ways. A more selective approach is being developed.

Often this means dealing with more difficult, sometimes seemingly intractable problems.

TECs should help greatly in the training area. Will produce major efficiency savings through better ability to target and by knowing better how to lever action from employers.

The formation of the ES Agency should have similar beneficial effect, streamlining services to the unemployed and concentrating on those activities best suited to local conditions.

These changes mean that the unit cost of intermediate outputs will sometimes rise by contrast with the big programmes of the 80s. But the aim is to improve the effectiveness of delivery so as to ensure value for money in delivering final outputs.

In other areas the easy pickings have been taken and now must look carefully at the organisation of work to secure greater efficiency and effectiveness.

PART II - PERFORMANCE

YOUTH TRAINING

Points to make:

- 280,000 young people expected to enter YTS this year, 260,000 expected to join YT in 1990-91.
- replaces YTS during 1990-91. YT provides greater flexibility on entering, length of stay etc and an increase in vocational qualifications.
- TECs will take on delivery of YT. This will build on improvements in efficiency and effectiveness made so far. Expected to secure greater commitment from employers. They will have more flexibility to tailor scheme to local labour market.

Outcomes

- numbers going into jobs or further education and training (positive outcomes) rising from 76% (1987-88) to 85% (1991-92). Of those going into jobs (66%), 33% are with same employer.
- numbers gaining qualifications planned to increase from 29% (1987-88) to 85% (1992-93).

ie quality and effectiveness (positive outcomes) planned to increase.

also

- Unit costs to exchequer planned to decrease (£50 per trainee week in 1987-88 to £33 in 1992-93 plan)
- increased employer contribution as employers take more responsibility for training young people. Public funding reducing from £1,022 million in 1988-89 to £763 million in 1992-93. Estimated employer contributions up from £33 million in 1985-86 to £200 million this year. Expected to achieve last No 10 seminars' target of £350m non government input by 1991.

[reference to credits for young people].

EMPLOYMENT TRAINING

Points to make

- 560,00 entered programme since started in August 1988.
- 207,000 in training

Completers already showing significantly better chance of going into a job.

- 58% into jobs compared with 36% of non-completers. Excellent results in view of nature of client group.
- planned 15% of completers to gain vocational qualification this year.

Numbers have been on a plateau for the last 6 months

- major weaknesses in current performance is drop-out rate
- only about 10% of people referred to ET from ES complete scheme
- just finished Efficiency Scrutiny of this issue.

This recommends:

[Summary recommendations]

Evidence that the scheme is underfunded at least for 1990s client group.

Now very difficult client group

- 35% entrants unemployed for more than two years
- only scheme to achieve this penetration of very LTU
- this difficult client group has been reflected in the unit costs
- costs per place to exchequer £104 a week. £40 of this is benefit, £10 training allowance
- had expected the exchequer costs to fall by up to 15% as employers took more responsibility
- this has proved unachievable so far given the increased focus on the more difficult end of the client group
- some rise in cash terms expected, although little increase in real terms
- TECs will be able to adapt scheme to local conditions in choice of providers and type of training offered eg some flexibility in amount of 'skills shortage' training - up to 20% in individual TEC areas (within overall 15% limits).

ENTERPRISE

ENTERPRISE ALLOWANCE SCHEME

- In 1980s provided successful incentive for unemployed people to create their own businesses.
- 425,000 participants by end of 1988/89.
- 90,000 place available in 1989/90.
- 65% of those whose completing schemes still trading 3 years later.
- 214 people working in every 100 EAS businesses which survive 3 years.

(to be charted)

In 1990s change in emphasis - providing more local support and help for businesses through TECs. 15% of EAS budget will go on enhanced support to small firms sector and so improved survival rates. Means, in short term, 10,000 fewer self employed a year helped - in longer term should increase job creation.

Allowance of £40 per week unchanged since EAS introduced 8 years ago.

OTHER

Other activities to promote enterprise include the Small Firms Service and support to Local Enterprise Agencies. Both provide advice and counselling to small businesses at a local level; TECs will be responsible for delivery and for ensuring that resources are used to deliver these services in cost effective and relevant to local needs.

Small Firms Service is run by the TA, with a budget of £4 million this year. Enquiry service dealt with 265,000 requests for information in 1987-88, 304,000 this year and due to rise to 320,000 by 1992-93. Also deals with 43,000 counselling sessions, using experienced business people who devote their time for small payments to provide cost effective service.

JOBCENTRE SERVICES

Points to make:

- jobs found for 1.9 million people last year
- 80% of placings were previously unemployed
- 125,000 (14%) were long term unemployed (10% in previous year)
- placings per staff unit have risen from 300 (1987-88) to 323 this year and set to rise to 327 from 1990-91.
- cost per placing falling - £53 in 1987-88 to £51 in 1992-93 - in real cost terms of course a much greater difference.
- places almost 40,000 people with disabilities into jobs.

Plans for office integration with benefit service to further concentrate work, including vacancies and opportunities system to allow ES local office staff to see vacancy and training information by job or skill type and geographical area.

POSITIVE HELP TO THE UNEMPLOYED

Points to make:

Restart

Introduction in 1986 - to help people unemployed for six months or more to move back into labour market through regular interviews and placing into jobs or further help to improve job prospects.

2.3 million interviews this year; plans allow for reductions in unemployment and long term unemployment.

Clients offered means of positive outcomes, from job interviews, jobclubs, EAS, ET to Restart courses. 85% of those interviewed offered opportunities, 71% accepted, although a significant number then failed to take up offer.

[New proposal to make most cost effective use of 2,000 Restart Counsellors and Claimant Advisers in labour market of 1990s.

- review at 13 week stage to identify claimants most likely to benefit from interviews at that stage.
- more follow up of regular interviews.
- more intensive pressure at 2 year stage.
- more selective treatment for those who remain over 2 years]

Should significantly reduce drop-out

VFM improvements through increasing Restart course places available and greater jobclub utilisation.

Now over 1,000 jobclubs:

- increasing numbers passing through (106,000 in 1987-88 to 145,000 in 1990-91) while overall number of Jobclubs decline. Attendance improves chances of obtaining a full time job by 50% (job entry rate currently 54%).
- improvements in unit costs and staff utilisation.

FRAUD

The emphasis of fraud work is also changing. Again, the aim is to move to a more fundamental attack on the problem.

When fraud work was first strengthened, a high level of benefit savings was fairly readily achieved. As the stricter benefit regime has taken effect "easy pickings" from fraud activity are no longer available.

The emphasis now is more on in-depth work and on dealing firmly with collusive employers. Major exercises have dealt with seasonal work in the tourist industry, taxi drivers, employment agencies, building workers, land workers and the clothing industry.

Dealing with collusive employers is more effective than dealing with fraudulent claimants alone, because it makes it harder for them to find fraudulent employment opportunities. Other benefits of this approach include:

- increased revenue to exchequer through tax and NI
- deterrence of fraudulent employment through prosecution.

PAYMENT OF BENEFIT (Defensive Briefing)

53 million benefit transactions last year
£4.6 billion paid on agency basis for DSS

DSS computer systems to be replaced in from 1992. Costs of £52m between 1989-91

will (a) improve accuracy - now 92%: target 94% correct payment
(b) improve quality of service

Increase in unit costs (step increase in 1988/89 then slight upward drift.

- Stricter benefit regime introduced and enforcement of actively seeking work requirements.
- allocation of resources to New Client Advisers (1,700 staff) to encourage potential claimants in job search and advise on benefit claims. Around 370,000 potential claims not followed through after initial contact.

Total count effect difficult to estimate, but in very broad terms 200,000 people kept off count by continued vigilance.

Need to continually change strategy to keep one step ahead of current client group.

POSITIVE ENVIRONMENT FOR WORK: HEALTH AND SAFETY

Chart 10: HEALTH AND SAFETY COMMISSION/EXECUTIVE

Points to make

- increased resources in 1990/91 to pay for Nuclear Installations Inspectorate. Other small increases to meet public concern.
- other new responsibilities absorbed eg Food and Environment Protection Act Regulations, much of European Work.
- numbers of inspectors rising from 850 (1987-88) to 937 (1992-93)
- inspections per inspector to rise from 187 to 239 over same period

Efficiency gains from eg:

- investing in office IT and simplified administration to release inspectors for site work;
- codification of advice (eg to new and small firms) through leaflets or given by clerical staff;

VFM example

Major Hazards assessment Unit, advises local planning authorities on siting of major hazard installations and control of developments nearby by assessing risks to or from proposed developments. Performance over the last six years:

	1983-4	1984-5	1985-6	1986-7	1987-8	1988-9
Cases handled by MHAU	353	362	435	599	589	559
Cases per assessor (year)	59	60	73	100	107	102

Possible because of investment in computerised risk assessment techniques to improve both speed and accuracy (so quality gains also achieved).

European Work

In 1989-90 67% of current legislative projects originated in EC, compared to 22% in 1981/82.

Sharp increase in EC involvement with Social Charter and EC Action Programme. (10 Health and Safety directories acceptable to UK).

820 staff day visits 1989/90; 475 in 1987/88.

POSITIVE ENVIRONMENT FOR WORK: INDUSTRIAL RELATIONS

Chart 11: ACAS

Points to make

- small organisation: 620 staff, budget this year £17 million
- individual conciliation the main call on resources - 50% staff time (40% on advisory work and 10% on collective conciliation)
- individual conciliation cases rising from 40,817 (1987-88) to 45,000 (1989-90) following legislative changes.
- cost per individual conciliation case £124 this year; three quarters of these cases are settled and so do not go forward to Industrial Tribunals (average cost £1,000).

Background

ACAS provides significant savings for industry: damage from industrial disputes prevented or reduced in over 80% of collective conciliation cases (1,200 cases this year). No evidence that this leads to inflationary wage demands - 40% of disputes where ACAS conciliates concerned with matters other than pay (union recognition, discipline, redundancy).

Advisory work helps employers and unions to adopt good industrial relations practices to lessen the possibility of damaging disputes and help improve efficiency. Nature of advisory work changing - greater emphasis on in-depth assistance. Reflects demand and perceptions of the way in which resources can be used most effectively. Number of in-depth advisory activities rising from 980 (1987-88) to 1,020 (1992-93). Advisory visits fall from 8,600 to 8,400 over the same period to reflect change of emphasis and demand for more resource intensive service.

Volume of enquiries has risen from 303,000 to 360,000 between 1987-88 and 1989-90.

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ED GROUP AIMS AND OBJECTIVES

POSSIBLE REVISED VERSIONAim

To promote a competitive, efficient, flexible and safe labour market by removing unnecessary barriers to the growth of employment and the reduction of unemployment.

Objectives

1. To work with employers, individuals and providers of education so that:

- a) employers take more effective action to ensure that people at all levels have the skills and competence to meet the needs of their businesses;
- b) individuals take more responsibility for their own development;
- c) the education system gives young people a foundation for work and is more responsive to changing labour market conditions;
- d) an effective infrastructure and institutions for training are developed;

and thereby to help secure an efficient and productive workforce.

2. To increase the supply of labour by removing barriers to participation in and mobility within the labour force, and in particular by:

- a) providing positive help to unemployed people (particularly the long-term unemployed and the disabled) and those outside the labour force through counselling, rehabilitation, training and placing services to enable and encourage them to obtain and retain employment;
- b) making accurate and prompt payment of benefits to unemployed people who are capable of, available for and actively seeking work and are otherwise entitled to them, whilst maintaining and increasing incentives to work;
- c) encouraging self-employment.

3. To ensure, consistently with the Department's overall aim and international obligations, that the essential employment rights of individuals are safeguarded and to promote a positive environment for work in which:

- a) health and safety at work is maintained and improved and the public are protected from industrial risks;
- b) there is equal opportunity in the labour market irrespective of race or sex;

- c) there is a fair balance under the law between management, organised labour and individuals;
- d) pay reflects market conditions;
- e) people are involved in and committed to the success of their enterprise and industrial relations continue to improve.

In pursuing the above aim and objectives, the Department will:

- use its resources in a cost-effective way; and
- promote the development of appropriate skills and competences among its own staff.

esg/pap/0039

PRESENT AIMS

Answer 20)

AIMS

The Employment Department Group's main aims are to promote a competitive and efficient labour market conducive to the growth of employment and the reduction of unemployment, and in particular to use its resources in a cost effective way:

- (i) to secure better arrangements for people to acquire and improve their skills and competence for work so that;
 - young people prepare better for work,
 - unemployed people get the skills they need to get and keep jobs,
 - everyone builds upon their skills throughout working life;
- (ii) to give positive help to unemployed people, especially those who have been out of work for six months or more and those who have disabilities or other disadvantages, by;
 - providing an effective service leading to placing into jobs or into a range of training or other employment programmes,
 - making accurate and prompt payment of benefits to those unemployed people entitled to it;
- (iii) to promote the creation and subsequent growth of small firms and self-employment, and the development of tourism activities, through selective and effective support;
- (iv) to promote a positive environment for work in which;
 - pay responds flexibly to individual and organisational performance,
 - there is equal opportunity in the labour market irrespective of race or sex,
 - people are involved in and committed to the success of their enterprise,
 - industrial relations continue to improve and a fair balance under the law is maintained,
 - the essential employment rights of individuals are safeguarded,
 - health and safety at work is maintained and improved and the public are protected from industrial risks.

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NOTE FOR THE RECORD

EFFICIENCY SCRUTINY; INVESTIGATION OF SOCIAL SECURITY FRAUD

I discussed with Stuart Lord in Tony Newton's office the letter of 8 February from Michael Howard.

Stuart explained that the meeting between the two Secretaries of State referred to in the letter had been generally amicable, and he thought there was a good prospect of agreement now being reached between them on the way forward. I said that I had been wondering whether, given that the key outstanding issue involved the division between departmental responsibilities, it would be appropriate to ask the Cabinet Secretary for a view. But, given Stuart's comments about the likelihood of an agreement, I said that I would defer taking that action at this stage, and would await a DSS reaction.

Recg.

Paul Gray

9 February 1990

c: scrutiny (MJ)

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CCP

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Department of Employment
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Secretary of State

*Robert & his
stage.
RACG
9/2*

The Rt Hon Antony Newton MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
LONDON SW1A 2NS

8th February 1990

Dear Tony

EFFICIENCY SCRUTINY: INVESTIGATION OF SOCIAL SECURITY FRAUD

You wrote to my predecessor on 19 October ^{- flap pt 31} about publication of this report. I am sorry it has taken so long to reply.

As you know from our meeting yesterday, I am in complete agreement with our predecessors' decision that a separate agency was not an appropriate way forward. In my view there are really only two main alternatives for the way in which investigation of suspected fraud should be handled in future by our Departments:

(a) According to which benefit is paid. This would mean that your Department, with its sole responsibility for income support, would investigate all forms of suspected fraud amongst income support recipients. My Department would concentrate its efforts solely on unemployment benefit.

(b) According to which Department has the most regular and frequent contact with unemployed claimants. This would mean that my Department would handle all cases involving working and signing, whether the claimant was in receipt of income support or unemployment benefit.

When we spoke I outlined my case for the working and signing option. Unemployed claimants, whatever benefits they qualify for, can only establish their entitlement to those benefits through the



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Health and Safety Executive · ACAS



Secretary of State
for Employment

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Employment Service. It is thus on the Employment Service that the first and primary responsibility falls for ensuring that the conditions for receipt of benefit are met. As you know, their principal method for checking the continuing entitlement of claimants to benefit is through the regular fortnightly process of "signing on". In addition to these checks, Employment Service staff also see claimants on a less frequent but still regular basis to offer help and advice on matters such as training, remotivation, help with jobsearch, or access to one of the specialised schemes and programmes my Department has to assist people back into the labour market. An integral element in all such interviews is an in-depth check on the claimants continuing entitlement to benefit.

Obviously questions about benefit abuse can and do arise at various points in this system of contact between the Employment Service and the unemployed. Indeed, it offers a vast array of opportunities to identify doubts about fraud and seems to me to be a strength on which we should clearly build. People who swell the numbers of claimant unemployed despite not being genuine in their search for work are people who should not be a burden on the taxpayer. We must continue to ensure that such people are identified quickly and do not continue to be counted amongst the people who really need financial help as a result of unemployment. I believe we can best ensure that this happens, if the Employment Service takes on responsibility for all fraud involving working and signing.

I recognise that one particular point of concern to you must be whether such an arrangement would make it more difficult for your staff to identify cases where unemployed claimants are not only working and signing but also engaging in other forms of benefit fraud. Clearly we would need to review our liaison arrangements to deal with this, but I do not think it should pose an insuperable problem.

As regards publication of the report, I have no objections provided that some references to Departmental policy are removed - for example, relating to our policy on prosecutions. I think that this minor editing can be best pursued by officials and I will ask mine to contact yours to this end.

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

Michael Howard

MICHAEL HOWARD

CONFIDENTIAL

GOUT MACH
Rayner Pt 32



PERSONAL

FILE KK



C/Homes/Kemp

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

MR. KEMP
CABINET OFFICE

REGIONAL TOURS AND NEXT STEPS

I gather from Andrew that you had another successful meeting with the Prime Minister about Next Steps, and that she particularly expressed an interest in visiting another Executive Agency on one of her regional tours. The Prime Minister's plans are sometimes changed at short notice, but the following are areas she intends to visit this year where the programme has not yet been finalised:

Scotland (probably Glasgow and Edinburgh)
Norfolk
Somerset
Lancashire
Middlesbrough
Wales (possibly north Wales)
Southampton
Birmingham

BS // Perhaps you could let me know if there are any suitable Agencies in these areas and give me a few supporting details. You will of course appreciate that for security reasons we need to restrict those who know about the Prime Minister's travel plans to the absolute minimum; and you may wish to bear this in mind when making enquiries.

CAROLINE SLOCOCK
2 February 1990

PERSONAL



SUBJECT CC MASTER

Meeting Record.

File to
C: ...

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MR. KEMP

NEXT STEPS: PROGRESS REPORT

You discussed with the Prime Minister today your latest progress report on Next Steps. Sir Robin Butler was also present.

2. You felt that good progress was being made - ten agencies had already been established, and this was likely to rise to at least twenty by the summer. New agencies would include some of the larger blocks of work. You emphasised that it was important not to regard increasing the score in terms of agencies established as the name of the game. Establishing an agency was only the starting point; the real objective was to see greater efficiency and better service to the public. As Annex 4 of your report showed, this was being achieved.

3. You set out a number of factors which were important for success. First, it was essential that the centre, i.e., the parent department and the Treasury, should be prepared to trust the agency and give it scope to use the pay and financial flexibilities agreed in the framework. Sir Robin Butler added that the key to this was keeping tight control over the budget while allowing as much freedom as possible to operate within it. Secondly, it was essential to get good people into the top management posts. This implied a readiness to offer attractive salaries. You were pleased that the Treasury had agreed that the post of Chief Executive of the Social Security Agency should be advertised without a specified salary, leaving freedom to negotiate.

4. The Prime Minister said she was very pleased with progress, and endorsed the points made. She had been very impressed with her visit to Companies House. It was a good illustration of what could be achieved by appointing good managers and giving people freedom to operate at the local level. She would like to incorporate visits to other agencies in future regional tours. (Caroline Slocock is providing you with a list of the likely areas to be visited so that you can match them up with agencies.)

5. The Prime Minister said that the best way to promote the idea of agencies was to demonstrate genuine improvement in service. She mentioned the Land Registry and the Passport Office as priorities for early action. Sir Robin Butler thought the Passport Office would be a crucial test of the success of Next Steps.

6. The Prime Minister accepted your invitation to sign an editorial for Management Matters. You would provide a draft of this in due course.

7. I am copying this minute to Sir Robin Butler.

AT

AT

2 February 1990

MANAGEMENT IN CONFIDENCE

I agree generally

FROM: E P KEMP
DATE: 30 January 1990

I hope that the

1. SIR ROBIN BUTLER
2. MR ANDREW TURNBULL

Prime Minister will glance at Annex 4, at the end of the book, which lists the targets being set for agency improved performance. especially Companies House which you visited.
FERB
31.1.

NEXT STEPS

I attach my fourth Report as Project Manager.

in attached folder AT

2. Since my Summer Report we have amongst other things

- established two further Agencies making 10 so far and made good progress with work in other areas. There are 44 announced candidates covering around 1/3rd of the Civil Service, with more to come;

- agreed in particular on how Next Steps should be further applied in MOD and worked on its application to the Revenue Departments; and settled how its benefits can be secured in NDPBs;

- worked with the Treasury on their White Paper on the financing and accountability of Agencies and a Bill extending use of the Trading Fund powers; and other across the board issues;

- laid the foundations for tracking the performance of Agencies that are established and evaluating the initiative as a whole.

3. Over the next six months I intend amongst other things

- to ensure that the target of having at least 20 Agencies launched by the Summer is met, and that these include some of the bigger and more prominent areas of Civil Service

directly dealing with the general public;

- to press forward in other areas, including working towards finalising the application of Next Steps to the Revenue Departments;

- to press ahead with work on across the board issues, including support of Ministers and assisting the Treasury in ensuring that the Government Trading Bill is enacted as quickly as possible and implemented as appropriate.

4. Thus the process of identifying and establishing Agencies and providing the tools to help them perform effectively is going well. I expect Next Steps to apply to at least half of the Civil Service by the end of 1991, nearly 4 years after the initiative was launched, with more to come. But the important thing now is to ensure that the full potential benefits are indeed realised, including improved service to the public. The need to make sure that the right people are found for key positions in Agencies, and the need for Departments to substitute strategic management for detailed "hands on" control remain among the fundamental requirements.

5. It has become customary for the Minister of State, Privy Council Office, to make a half-yearly statement to the House on the progress of the initiative. The Minister proposes that this time this should be made in April, when an up dated stocktaking on the project, taking account of the new Agencies expected to be launched by then, will anyway be required.

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

E P K

E P KEMP

MANAGEMENT IN CONFIDENCE

NEXT STEPS

PROJECT MANAGER'S WINTER REPORT

Introduction

This is my fourth report as Project Manager for the Next Steps initiative. My remit continues to be the statement made by the Prime Minister on 18 February 1988, at Annex 1.

2. The project has taken hold. The identification and establishment of Executive Agencies remains the first task. But there must be continuing pressure to improve thereafter, so that they develop and deliver all the benefits of which they are capable.

Setting up Agencies

3. Both the TCSC and the PAC have commented on the need to keep up the momentum and to increase the pace of change. Considerable progress has been made in progressing potential Agencies towards launch, and in identifying further activities. Two new Agencies have been set up taking the present total to 10, and I expect the total to reach 20 Agencies around next April and more than that by the Summer. A number of the new Agencies will not just be important in size (for instance the Employment Service Executive Agency), but will also involve activities high in the public consciousness such as the Meteorological Office and the Driver and Vehicle Licensing Agency. The launch of these and others will bring home to the public and to Parliament the true scope of Next Steps.

4. Generally speaking, though with one or two exceptions, there has been good progress elsewhere. There are 44 announced candidates (about 190,000 civil servants) shown in Annex 2; and other areas where the application of Next Steps is being examined; in MOD, in the Revenue Departments and in the Prison Service. A summary of the position is at Annex 3. Before an Agency is set up, of course, privatisation and other options are considered. There is no blue print or mould but by (say) the end of 1991 I would expect that Next Steps will have been applied to at least half of the Civil Service and the estimate I made in May 1988 that some 75 per cent of the Civil Service might be covered within 10 (now 8) years certainly remains valid. Proposals to apply Next Steps principles to executive NDPBs have been recently approved by the Prime Minister.

Wider issues

5. From the start, I have been particularly concerned to pick up "across the board" issues that need to be resolved so that Agencies have the tools they need. Flexible pay agreements already offer scope for variations to meet local needs and to reward individual performance up to and including the acknowledged ability to break away from the agreements completely. From 1991 it will be possible for Agencies to do virtually all their own recruiting. And the review of central personnel functions aims to delegate as much as possible from the Centre to Departments and Agencies.

6. A recent development has been the publication of the Financing and Accountability White Paper and the introduction of the Bill to amend the Government Trading Funds Act 1973. The Chief Secretary, supported by the Minister of State (PCO), led for the Government in the Bill's unopposed Second Reading on 8 January. The debate showed general support for Next Steps. The wider and clearer trading fund powers will enable a considerable number of Agencies in due course to have the

challenge and the benefits of commercial disciplines and accountability. The majority of the Civil Service (by numbers of staff), will remain within Parliamentary Supply, and there as well, a wider range of financial flexibilities and disciplines can be considered. It is important that these flexibilities, and existing ones, are in practice allowed to be used. The White Paper commits all Agencies to producing and normally publishing accounts and performance targets and reports. This is an important innovation, as is the Accounting Officer or Agency Accounting Officer role of Chief Executives, which should as time passes increase the openness to scrutiny of individual Civil Service executive operations.

Performance Improvement

7. At Annex 4 is a summary of the position on individual Agencies showing targets set and progress towards them and specific examples of what has happened. The Prime Minister was able to see some of the changes at Companies House on her recent visit. Further improvement can be expected as Agencies develop and earn greater freedoms and flexibilities. Financial and non-financial targets will need to be reset generally more tightly as this happens; already Treasury Ministers have set more demanding targets for HMSO.

8. A crucial dimension here is service to the public. The improved efficiency expected from the initiative, combined with the greater precision of performance targets and reporting transparency, gives Ministers better opportunities for deciding how the efficiency dividends are to be distributed in individual cases, as between those who finance the service, whether taxpayer or user, and those for whom the service is provided. There is a wide expectation echoed in recent reports by the TCSC and PAC, that the latter will get their fair share; indeed if the Next Steps initiative does not result in a perceived improvement in service to the public as well as containing costs better it will

not have succeeded.

Making the benefits stick

9. As the Government said in its reply to the second TCSC Report, setting up Agencies is only the means to the end in these reforms. The ultimate objective is to ensure that Agencies deliver the full benefits they are capable of. If they are to do so there are a number of key areas to watch. The Government's reply to the TCSC identified a number of these. Two are particularly important.

10. The first is to make sure the right people are found for key positions in Agencies whether from inside or outside the Civil Service. I welcome the trend to open competition for many more posts, which must be matched by flexibility and imagination in the remuneration package offered and the recruitment procedure adopted.

11. Getting the right people at the top is key. But the long-term success of Next Steps will depend on large numbers of Agencies developing and using to the full the potential of their staff and adapting to the new needs. The Prime Minister's statement recognised the need for "staff to be properly trained and prepared for the management of the delivery of services". Agencies need to carry through changes in personnel policy and practice so that they fully support the needs of the Agency and its business and give the fullest possible authority to operational managers. These cover recruitment, pay and reward systems related to performance, grading, appraisal, succession planning, communications and industrial relations.

12. The second is the need to address the relationship between Departments and Agencies. As Agencies are set up and developed, the centres of Departments must manage strategically rather than maintaining day to day "hands on" control. This may require a

profound alteration in their approach to the operation of some Agencies but it is of the essence of Next Steps. It will require both Departments and Agencies to undertake new tasks, acquire new skills and in some cases change attitudes and modes of behaviour. Amongst other things Departments need to use (and be allowed where necessary by central Departments to use) the new flexibilities in pay and personnel and finance that are being introduced, and delegate these as far as possible down the line within the scope of the Framework Document.

Conclusion

13. Nearly 2 years into the initiative Next Steps has taken hold. It is seen not just as something which is sensible to do but as something which is inevitable and is happening. The links with improvements in the standards of public service are crucial. Parliament and the press have been supportive; indeed have pressed for faster change. I agree with them.

14. My work plan for the next six months involves a sharply increased pace in the rate of establishment of Agencies and with it a heightened public perception of the initiative. It also involves continued and increased emphasis on setting demanding objectives for financial and non financial and service performance. Above all pressure will be maintained to ensure that the changes take root and develop; that people in Agencies and Departments are fully committed to the new ways of working; and that this does indeed lead to the modern and efficient Civil Service needed for the 1990s and beyond.

E P KEMP
NEXT STEPS PROJECT MANAGER
JANUARY 1990

18 FEBRUARY 1988

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, secondly, that the Government should commit themselves to a progressive programme for attaining this objective; thirdly, that staff should be properly trained and prepared for management of the delivery of services whether within or outside central Government; and, fourthly, that a "project manager" at a senior level should ensure that the programme of change takes place.

The Government have accepted these four recommendations, which will set the direction for further development of management reform in the Civil Service. Each agency will be accountable to a Minister, who will in turn be accountable to Parliament for the agency's performance. These agencies will generally be within the Civil Service, and their staff will continue to be civil servants. The Government will develop a continuing programme for establishing agencies, applying progressively the lessons of the experience gained.

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

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

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

EXECUTIVE AGENCIES ESTABLISHED AT 31 JANUARY 1990

[] Date of launch

EXECUTIVE AGENCIES		STAFF NOS
Civil Service College	[6.6.89]	200
Companies House	[3.10.88]	1,150
Historic Royal Palaces	[1.10.89]	350
Her Majesty's Stationery Office	[14.12.88]	3,250
Laboratory of the Government Chemist	[30.10.89]	300
National Weights and Measures Laboratory	[18.4.89]	50
QEll Conference Centre	[6.7.89]	50
Resettlement Agency	[24.5.89]	550
Vehicle Inspectorate	[1.8.88]	1,600
Warren Spring Laboratory	[20.4.88]	300
10 in number		7,700

Figures based on staff in post 1.10.89

ANNEX 2 (b)

ANNOUNCED CANDIDATES FOR EXECUTIVE AGENCY STATUS

These are activities publicly announced as under consideration for Agency status.

Building Research Establishment	650
Cadw: Welsh Historic Monuments	200
Central Office of Information	750
Central Statistical Office	1,000
Central Veterinary Laboratory	550
Civil Service Commission	300
Civil Service Occupational Health Service	100
Defence Accounts Organisation	2,150 ^e
Defence Research Agency	12,000
Department of Registers of Scotland	950
Driver and Vehicle Licensing Directorate	5,250
Driving Standards Agency	2,000
Employment Service	34,000
Forensic Science Service	550
Fuel Suppliers Branch	Under 50
Historic Buildings and Monuments	600
Hydrographic Office	900 ^e
Insolvency Service	1,400
Intervention Board for Agricultural Produce	850
Land Registry	11,000
Meteorological Office	2,450
Military Survey	850 ^e
National Engineering Laboratory	600
National Physical Laboratory	800
Ordnance Survey	2,600
Overseas Development Natural Resources Institute	450
Passport Office	1,100
Patent Office	1,150
Planning Inspectorate	550

Property Holdings		1,600
Radiocommunications Division		450
RAF Training		2,500@
Royal Mint		950
Royal Parks		550
Service Childrens Schools		1,300@
Social Security Benefits Agency		72,000
Social Security Contributions Agency		7,000
Social Security IT Services		3,000
Training Agency		11,600+
Vehicle Certification Agency		50
Veterinary Medicines Directorate		50
Employment and Training)	Northern Ireland	1,600
Services	Civil Service	
Rating Division)		250
Social Security Operations)		4,250

44 in number

@ Defence Support Agency - excludes military personnel

+ Only 3,500 likely to go into an Agency, the others to be seconded to Training and Enterprise Councils

OVERALL TOTALS

Set up

Numbers	8,000 (10 Agencies)
---------	---------------------

Announced Candidates

Numbers	192,000 (44 Agencies including 3 from Northern Ireland Civil Service and 5 Defence Support Agencies)
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Under consideration (1)

Numbers	210,000
---------	---------

Project Manager's appraisal (2)

Numbers	31,000
---------	--------

Total as % of Civil Service

80% (3)

Notes

1. Further possibilities identified and under consideration at varying stages within Departments.
2. Further possibilities identified, not necessarily accepted by Departments
3. Figures based on staff in post at 1 October 1989 excluding numbers expected to be privatised (mainly PSA). Figures also exclude military personnel.

DEVELOPMENTS IN THE TEN EXECUTIVE AGENCIES ESTABLISHED TO DATE

This annex gives examples of the targets set for the first of the established Agencies, and selected examples of developments and achievements made during their first months of operation based on personal reports from Chief Executives. Targets are likely to become increasingly challenging in the second and subsequent years of operation - as witnessed by HMSO's target to make a profit of £2.9 million in its second year of operation, compared to £1.7 million in the current year.

1. Civil Service College

Established: 7 June 1989

Staff: 200

Function: Provides a range of training for civil servants and others in management and specialist skills.

Targets: (1) Increase the proportion of students at Grade 7 and above from 23.2% in 1988/89 to 33.2% in 1993/94;

(2) Increase the number of Private Sector students from 348 (1.7%) in 1988/89 to 1,200 (6%) in 1993/94;

(3) Increase the proportion of students rating courses in the top two boxes of a 6 box scale of quality from 75% in 1988/89 to 80% in 1993/94.

Examples of developments and achievements:

- a campaign for improved customer service is being taken forward across all aspects of the College's work. Targets for quality of training being successfully met.

- improvements being made to the quality of accommodation at both Sunningdale and London sites, coupled with accommodation savings at London sites: encouraged by clarification of targets and financial obligations.

2. Companies House

Established: 3 October 1988

Staff: 1,150

Function: Registers companies and collects statutory documents/returns

Targets: (1) 10% reduction in proportion of companies not filing annual reports and returns by June 1991;
(2) 20% reduction in time taken to process documents;
(3) 12% increase in output per member of staff;
(4) 7% decrease in unit costs.
Targets (2) - (4) to be achieved by April 1991.

Examples of developments and achievements:

- Satellite offices opened in Glasgow and Manchester with plans to open others in Birmingham and Leeds. Courier service guaranteeing same day delivery of documents in the City of London and next day delivery nationwide. Postal search service revived.

3. Historic Royal Palaces

Established: 1 October 1989

Staff: 350

Function: Manages the five historic royal palaces (Tower, Hampton Court, Banqueting House, Kensington and Kew)

Provisional

Targets: (1) Increase surplus on commercial activities from £2.3 Million in 1988/89 to £3.8 Million in 1990/91;
(2) Achieve visible improvements in quality of interpretation and visitor service in first two years.

Examples of developments and achievements:

- Developing a clear vision throughout the Agency of the what the Agency should be offering to visitors to the palaces in 3 to 5 years time.

- Establishing training programmes to help people working at the palaces to respond to visitors' needs.

4. Her Majesty's Stationery Office

Established: 14 December 1988

Staff: 3,200

Function: Purchase of general office supplies, print procurement; and provides publishing, printing and reprographic services.

Targets: (1) Progressively and substantially increase annual profit after interest over next 5 years - 1989 target is £1.7 million compared to £0.8 million in 87-88.
(2) Achieve value for money savings ranging from 8 % for paper to 11.5% for office machinery using 84-85 as base year. Each is an increase over 87-88 achievement.

Examples of developments and achievements:

- Achieved required 1989 financial target of current cost profit, after interest of £1.7 million in addition to making considerable progress towards meeting its other performance targets of improved delivery service, product quality and value for money. Accepted new target for 1990/91 of £2.9 million.

- Discussions taken forward with Trade Union Side towards reaching formal detailed agreement on the implementation of HMSO's tailor made and performance related pay and grading structure. A Total Quality Management Programme aimed at quality improvement, and a fundamental review of training were put in hand.

5. Laboratory of the Government Chemist

Established: 30 October 1989

Staff: 300

Function: Provides analytical, investigatory services to Government departments, local authorities and others on environmental protection, public health, consumer protection etc.

Targets: LGC's targets will be published shortly.

Examples of developments and achievements:

- preparing for the move to a more competitive environment where customers have the money. Part of an OMCS pilot programme to improve customer service.

- examination of how total employment package offered by the Agency can be improved to help recruitment and retention of the high quality staff crucial to its success.

6. National Weights and Measures Laboratory

Established: 18 April 1989

Staff: 50

Function: Administers weights and measures legislation, especially the regulation and certification of equipment in use for trade.

Targets: (1) Complete the certification of new designs of weighing and measuring equipment within 18 weeks of registration in at least 70% of cases during 90/91;

(2) Publish certificates within 12 weeks of approval in at least 80% of cases during 90/91.

Examples of developments and achievements:

- Achieved substantial reductions in the waiting time for certification of weighing and measuring equipment and introduced formal quality assurance system for approvals work.

- Issued guidance notes for manufacturers and local authority enforcement officers in preparation for European approvals arrangements after 1992.

7. Queen Elizabeth II Conference Centre

Established: 6 July 1989

Staff: 50

Function: Provides suitable conference facilities for national and international Government and private sector use.

Targets: (1) To increase the surplus from the £14,000 in achieved in 1988/89 to £53,000 in 1989/90.

Examples of developments and achievements:

- Building on the progress already made the Agency has been able to further establish its reputation as a national and international conference centre (it has won awards in 1988 and 1989 as the "Best United Kingdom Conference Centre"). Target for surplus to be achieved in 1989/90 has already been met, and is likely to be considerably exceeded by the end of the financial year.

- Focusing on need to recruit, train and retain staff of the right calibre to maintain a position in a competitive market place.

8. Resettlement Agency

Established: 24 May 1989

Staff: 550

Function: Provides resettlement units for people without a settled way of life

Targets: (1) Achieve cumulative reduction of 1.5% pa in gross running costs of DSS Resettlement Units without reducing standards;

(2) Establish training strategy for staff by 31.3.90;

(3) Devise scheme to assist managers to compare effectiveness of Units on common basis (interim report by March 1990);

(4) To close 2 Units in 1990/91 and 4 in 1991/92.

Examples of developments and achievements:

- Reviewing fully the management of resettlement units which before Agency status had not operated as a single stand alone management unit. Efficiency targets for 1989/90 on course for being achieved.

- Progress being made with replacing units with more suitable provision. First closure date expected in January 1990.

9. Vehicle Inspectorate

Established: 1 August 1988

Staff: 1,550

Function: Tests and certificates the road-worthiness of HGV and PSV vehicles; supervision of MOT testing.

Targets: (1) Improve overall cost efficiency in three main activities by 3.7% over the period from 1 April 89 to 31 March 1991;

Examples of developments and achievements:

- Group Incentive Bonus Scheme is in place based on savings made over and above the aggregated unit cost target set for the Agency.

- Four major customer service initiatives are being taken forward: voluntary brake testing to be introduced this year on a national basis; Saturday testing being trialled; promotion and sale of selected technical publications; running of training courses on a commercial basis for outside organisations.

10. Warren Spring Laboratory

Established: 20 April 1989

Staff: 300

Function: Provides scientific and technical research and advice in the field of environmental technology, especially the control of pollution.

Targets: WSL's targets will be published shortly.

Examples of developments and achievements:

- Devolvement of personnel functions from the centre of DTI to the Agency proceeding steadily. Special pay arrangements for scientific and technical staff negotiated to deal with recruitment/retention problems in this area.



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R [handwritten]
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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John MacGregor OBE MP
Secretary of State
Department of Education and Science
Elizabeth House
York Road
LONDON SE1 7PH

25 January 1990

John

Mac

Thank you for your letter of 11 January.

I welcome your close personal interest in your department's purchasing performance and the achievement of significant value for money improvements in 1988-89. As you say, although opportunities for savings may diminish as departments become more efficient there is still room for considerable improvement and we must not let up in our efforts to encourage even greater efficiency.

I agree generally with your view on the relative merits of on-going savings and the new target of not less than 2 per cent from new initiatives. But of course, for some departments, much of their purchasing expenditure and associated savings is tied to contracts let in previous years. In those circumstances the new target represents a tougher objective than the original 5 per cent target and I have accepted, for the present, that departmental returns should cover both targets.

There is also something of a problem for departments with a large number of on going long term projects and I have asked CUP to consider a separate system to measure project performance in time for next year's assumption by departments of financial responsibility for all capital projects.

I was also interested to note that your officials are planning to open discussions with your non-Departmental Public Bodies on their purchasing functions. To the extent that resources permit, I would, of course, be happy for CUP to provide some general advice on how to take this forward, if you think that would be

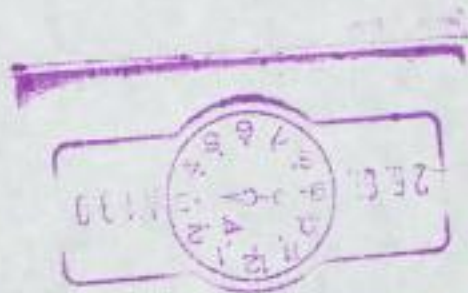
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appropriate. I understand that CUP assistance with the Earth Sciences Review Purchasing Initiative through the University's Funding Council has resulted in some significant savings. The Universities and Polytechnics may also justify some further work.

I am copying this letter as before.

Yours truly
Malcolm

THE FEARL OF CAITHNESS



dti

the department for Enterprise

ccp

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Secretary of State for Trade and Industry

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Date 18 January 1990

Dear Secretary of State

THE DEREGULATION INITIATIVE: BETTER REGULATION

Thank you for your letter of 8 January.

I welcome your support for the programme, and for its emphasis on positive and practical measures to help business and enterprise. I welcome too your interest in the possibility of a cross departmental database for licences.

In proposing a case study of Health Care, I have specifically in mind the community care field. Residential Care Homes and Nursing Homes are the main types of business to be considered, with the emphasis very much on their practical experience of Government requirements. This would of course include questions of registration, inspection and guidance on good practice, for which your Department has responsibility, as well as matters (such as building and fire regulations) where the responsibility lies elsewhere.

I agree that it is important to avoid duplication, not least in view of the recent publication of your White Paper 'Caring for People', and the National Health Service and Community Care Bill now before Parliament. My officials have already been in touch with yours to avoid this risk and to explain the aim of the case study. They would of course welcome any advice or assistance your officials may wish to give.

I trust that you would be content with a case study conducted on these lines.



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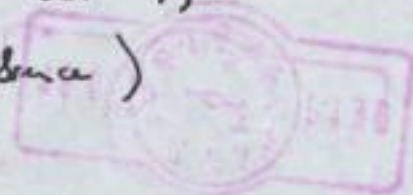
the department for Enterprise

I am copying this to other members of the Cabinet, to Ministers with departmental responsibility for deregulation, and to Sir Angus Fraser and Sir Robin Butler.

Yours sincerely

Jim Stewart

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



СОВЕТСКИЙ : Ленинград #32



dti

the department for Enterprise

copy

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NBR

Rec

18/1

Dear Peter

THE DEREGULATION INITIATIVE: BETTER REGULATION

Thank you for your letter of 18 December responding to mine to John Major about our programme of deregulation reviews. You will have noted that the proposed report to Parliament, amended to take account of colleagues' comments, was given on 21 December (as attached).

I appreciate the welcome you and colleagues have given to the approach underlying the programme of Wider reviews set out in Annex C to my letter of 13 December. However, you and Oliver Henley (in his letter of 19 December) have raised some general points to which I should respond.

As you say, it is essential to sustain the momentum of the deregulation programme. The wider reviews put forward in my paper are intended to contribute to this. But like you I would welcome further suggestions for the rolling programme particularly from colleagues who have not come up with much recently. I expect all major regulatory departments to contribute fully to this and subsequent rounds.

The impact of tax administration continues to be keenly felt by businessmen and women especially in managing new and growing enterprises. The programme of work set out in Annex C to my letter would be seriously deficient if it did not include some further consideration of cumulative compliance costs in the tax as well as company law fields. Norman Fowler's letter of 11 December very much supports this approach.

John Redwood is replying separately to your letter about Professor Sandford's specific findings but these have only



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just been published, which is why I have proposed that officials from the Departments concerned should report jointly to Ministers on the scope for follow up action. Then we can see what more can be done, not by raking over the ground again, as you put it, but by digging deeper.

As for company law, there may be scope for further reducing accounts disclosure and other requirements which could lead us to a new form of incorporation for small companies. I appreciate, however, that this is a complex area for review and that you have a special interest. This can be taken on board by our officials.

In the flexible workforce review, the question of Schedule D or Schedule E treatment will indeed be an important topic. However, I envisage the emphasis falling on practical questions such as whether existing arrangements for Government decisions affecting businesses (on tax, NIC, or benefits) are fully geared to new forms of working in the modern economy, so that, to take your example, those wishing to be self-employed and those wishing to hire their services, know how best to organise their affairs to achieve their objectives.

We will be responding separately to other colleagues' specific points about individual reviews under the rolling programme. But on the questions of timing and resource allocation raised by Oliver Henley I should add here that we envisage the first three months of this year being used by the EDU, in consultation with officials elsewhere as appropriate, to complete the short sharp studies referred to in my letter of 13 December (Annex C(1)). During the same period officials from relevant departments should have time to consider with the EDU the scope for pursuing the other review topics recommended in my letter (Annex C(2)-(4)). I would therefore expect them to let us have by the end of this financial year if not before agreed terms of reference and timescales for substantive work during the rest of 1990. We can then make decisions about how best to take this work forward.

I am copying this letter to other members of the Cabinet, to Ministers with departmental responsibility for deregulation, and to Sir Angus Fraser and Sir Robin Butler.

John Major
K. Knowles

HOUSE OF COMMONS

Thursday 21 December 1989

Written Answers

395

Deregulation Reviews

397

Mr. Arbutnot: To ask the Secretary of State for Trade and Industry what progress has been made under the rolling programme of deregulation reviews announced on 31 January by the then Parliamentary Under-Secretary of State for Corporate Affairs.

Mr. Redwood: Of the 12 reviews announced in January all are complete or nearing completion. They have already 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. Quantifiable savings to business from these completed reviews should exceed £10 million per annum. Government communications with business have also been improved through the consultations which have taken place, as has the service provided by Departments.

Our prime aim remains to remove the time loss and frustration caused to business by out-of-date or cumbersome requirements. We are therefore bringing forward consideration of a number of wider issues which have an impact particularly on the development of smaller businesses, together with reviews designed to identify regulatory barriers to building new businesses in various sectors.

The full list of new departmental reviews is as follows:

C & E—

- (i) Industrial oils reliefs: and
- (ii) Methylated spirits reliefs
Review the burden placed on businesses by current administrative procedures, and consider whether the records required to be kept by users can be simplified.
- (iii) Production and dissemination of information to the trade and public
Review will include the provision of VAT advice to business and the effectiveness of communications with new business.

DH—Review of CAPRICODE guidance

Review the procedures governing accountability in the NHS Building Programme (CAPRICODE) to ensure that no unnecessary restrictions are placed on the construction industry.

DSS—Service to business in the new National Insurance Contributions Unit

Review 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.

DTI—

- (i) Company law exemptions for private companies
Review the provisions for their impact on non-public companies.
- (ii) Regulations made under Part II of the Consumer Protection Act 1987
Review the need for regulations in the light of the development of industry standards.
- (iii) CB radio licensing
Review various options for improving the present system of CB licensing.
- (iv) Fixed-link radio user access system
Introduce a user accessible database for radio fixed links.

DTp—Type approval procedures for equipment on merchant ships.

Review scope for changing procedures in order to reduce costs of UK ship-owners.

HO—Betting-shop hours of opening

Consider an extension of the permitted opening hours beyond the existing statutory closing time.

HSC—Strategy for negotiating EC health and safety Directives

Assess general lessons for present and future regulatory policy based on experience of negotiating EC health and safety Directives.

IR—PIID's

Review the PIID form and procedures with a view to reducing the burden they impose on employers.

MAFF—Export Refunds and Monetary Compensatory Amounts

Enquiry into product classification for which exports refunds and Monetary Compensatory Amounts are fixed, and the differentiation of refund rates by destination.

SO—

- (i) The Civic Government (Scotland) Act 1982.

Review the working of the Act, with particular reference to the scope for reducing inconsistencies in optional business licensing powers of local authorities.

- (ii) Registration and inspection of independent schools in Scotland.

Review procedures to assess whether the system is burdensome for school proprietors and what scope exists for simplification.

EDU—Faster and simpler business licensing

Review feasibility of developing a cross-departmental public database to enable business to identify quickly and clearly requirements to be met.

GOUT MACH: Pannan PT32

dti

the department for Enterprise

ccp

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16/1*

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Our ref PB5AFQ
Your ref
Date 15 January 1990

Sam Chris

THE DEREGULATION INITIATIVE: BETTER REGULATION

Thank you for your letter of ~~20~~¹⁴ December about the rolling review programme.

Given the timing, I was obliged, as you requested, to delete the two DOE items from the report to Parliament. I agree that it would have been inappropriate to include the first item, on planning requirements in the countryside, given that you had already publicly announced a decision not to change the current arrangements - a decision with which John Gummer and I reluctantly concurred.

I would however be even more reluctant for you not to proceed with the second item - the review of permitted development rights for non-domestic and other uses. As Christopher Chope said in his letter of 26 June last year to Francis Maude when offering the review, a look at the scope for relaxing controls on extensions and developments within the curtilage of hotels, restaurants, offices, shops, schools and nursing homes, represented a significant deregulatory proposition on which a range of colleagues would have an interest. The rolling programme of deregulation reviews would provide the right framework for discussion.

For my part, I believe these controls are a significant source of delay and frustration for growing businesses and the relatively small scale developments involved here gum up the system, to the



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the department for Enterprise

frustration of applicants, planners and inspectors alike. No doubt argument against as well as for change will emerge, but the review procedures readily accommodate that - as your review of development in the countryside has just illustrated.

While not included in my recent report to Parliament, the item can still be incorporated in what is a rolling programme and would appear as a DOE contribution in my report to the Prime Minister on progress with deregulation later this year. Can I therefore invite you to reaffirm your intention to conduct this review?

I am copying this letter to other Cabinet Ministers, to deregulation Ministers and to Sir Angus Fraser and Sir Robin Butler.







Recycled Paper

GOVT MACH. KANAU PT 52





10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 January 1990

As part of her series of Value for Money seminars, the Prime Minister will be holding a seminar on Value for Money in the PSA on Monday, 12 March at 1515.

The Efficiency Unit will be in touch with you in the near future to discuss the agenda for the meeting and details of your Department's presentation.

I am copying this letter to the Private Secretaries to Sir Gordon Manzie, Sir Angus Fraser and Sir Robin Butler.

(MRS. AMANDA PONSONBY)

Ms. Michelle Cameron,
Department of the Environment.

ZW1219



ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

ccf

MBM
ALB
AL

The Earl of Caithness
Paymaster General
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

11 JAN 1990

Dear Malcolm,

*will request
requested*

Thank you for sending me a copy of your letter of 13 November to Douglas Hurd.

I am pleased we were able to report overall savings on government expenditure of 5% in 1988/89, and, in particular, that my own Department achieved value for money improvements of 8.9% in that year. Clearly, however, as we become more efficient the opportunity for making meaningful savings of that order is likely to diminish.

Nevertheless, I welcome the proposal that annual savings targets should include at least 2% from new initiatives and that Departments should not rest on the laurels of their past achievements.

It might indeed be argued that it is only new savings which should concern us. On-going savings, important though they are in the contribution they make to reductions in public expenditure, are only a re-statement each year of the original savings. The change introduced by CUP this year of allowing on-going savings to count for only three years goes some way to recognising this but I wonder whether it might not be better to go further and simply to record each year only new savings. Certainly, within my own Department, this would simplify reporting procedures and focus attention more sharply on the need to investigate new areas of potential savings.

In this context you may be interested to know that we are planning to open discussions shortly with the various DES funded non-Departmental Public Bodies with a view to helping them with their purchasing functions. How much scope there will be here for significant savings remains to be seen but I believe that

this is an area worth looking into.

A further development in our purchasing area is the decision to relocate the Purchasing Unit to Darlington where overheads are considerably lower than in London and recruitment at EO and AO level is less difficult. It is expected that new technology introduced as part of our overall Office Systems Strategy will help alleviate communication problems which might otherwise have arisen.

Alan Howarth is overseeing the future development of the purchasing function within my Department and has introduced a regular reporting requirement against agreed objectives.

I shall continue to take a personal interest in this field myself.

I am copying this letter to the recipients of yours.

Yours etc,

Joh





NBRM
Rec 6
5/1

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

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 01 210 3000
From the Secretary of
State for Health

08 JAN 1990

Dear Mr. ...

THE DEREGULATION INITIATIVE: BETTER REGULATION

I am writing in response to your letter of 13 December to John Major.

I would endorse the terms of your proposed report to Parliament. I would also generally endorse the concept of wider reviews aimed at a reduction in the cumulative burdens on start-ups and smaller businesses. This will take forward the deregulation initiative in a useful and positive way which could be of practical help to business and enterprise.

I note in Annex C of your note that the selection of case studies for the proposed new reviews includes Health care. This is obviously a very wide area and a deregulatory approach is of course implicit in the nature of the NHS Review. Given the impact that the Review is having across the range of my Departments' activities it is important to avoid any possible duplication of work. Therefore before I fully endorse the programme at this stage it would be helpful to have more details of the kind of Health care case study you envisage.

A simple and effective system of identifying requirements for business licenses and also giving clear information on the processes involved could be of obvious advantage to business. When detailed proposals are received my officials will look with interest at the feasibility of including DH licenses in any cross departmental data base.

I am copying this to other members of the Cabinet, to Ministers with departmental responsibility for deregulation, and to Sir Angus Fraser and Sir Robin Butler.

KENNETH CLARKE

Grismach: Rayner

A 32



we for

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

8 January 1990

Dear Martin,

NEXT STEPS AND NDPBs

The Prime Minister has seen Mr. Luce's minute of 3 January. She agrees that many of the principles of Next Steps can be applied to NDPBs as well as to parts of Departments. She therefore welcomes the proposal to extend the Next Steps initiative to NDPBs and thinks it right to proceed selectively.

I am copying this letter to the Private Secretaries to Ministers in charge of Departments, Carys Evans (Chief Secretary's Office) and to Sir Robin Butler.

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

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

[Handwritten signature]



EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries: 01-270 0273
Direct line: 01-270 0257

Mrs A Ponsonby
Private Secretary
10 Downing Street

5 January 1990

D - Amos, noted APB

- flap

Thank you for copying to us your letter of 21 December about the VFM Seminar for the Department of Employment. The middle paragraph is particularly helpful as an opening for us to ensure that officials begin planning for these meetings in good time.

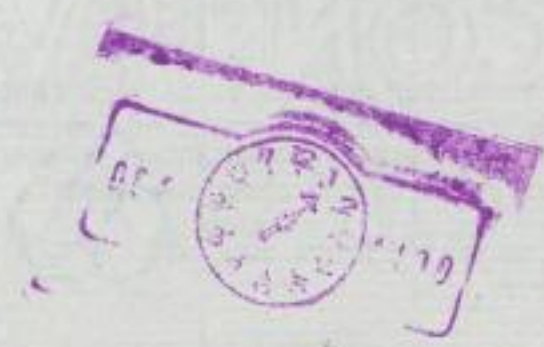
I hope that you are intending to use this form of words in further letters.

*Yours sincerely
D Brereton*

D BRERETON

GOVT MATCH. Rayner pr 32

STATE OF MONTANA
DEPARTMENT OF REVENUE
TAXPAYER'S COPY





Prime Minister
 Many of the principles of Next Steps
 eg more flexibility in return for
 more demanding performance targets,
 and clearer specification of the
 relationship between HQ and the
 agency, can be applied to NDPBs

MINISTER OF STATE, PRIVY COUNCIL OFFICE

as well as parts of Departments. Mr
 Luce proposes to bring NDPBs as
 Museums within scope of the
 initiative, though proceeding
 selectively.

PRIME MINISTER

Next Steps and NDPBs

So far, the implementation of the Next Steps initiative has rightly focused on setting up Agencies within Government Departments. But the thrust of the ideas behind the initiative goes beyond this, and I now propose to broaden our approach by introducing new procedures to improve further the management of executive NDPBs. These involve applying to NDPBs the key elements of the Next Steps approach which recognises the specific needs and circumstances of each body, and their arms' length relationship with Departments.

Yes no. Content? AT 5/1

... Details of the new approach are set out in the attached note by the OMCS and the Treasury. The intention is to require a management statement, broadly on the lines of a Next Steps Framework Document, for all new executive NDPBs, and to apply the same approach to existing bodies selectively where there is a clear need, taking account of the statute which sets the framework for each body's relationship with its parent Department. As with Next Steps, the overall aim will be to delegate responsibility to the maximum extent practicable to the body, within an agreed framework which unambiguously sets out the relationship between each body and its sponsoring Department. Like Next Steps, this approach is designed to improve managerial responsibility for performance and the delivery of results.

In developing these proposals, the central Departments have been mindful of the differences between NDPBs and Next Steps Agencies, as well as the similarities. In particular, we have tried to ensure that this development of existing policy should not undermine the efforts Departments and NDPBs have been putting into improvements in managing their relationships. We have also taken account of the fact that effort in this area must be concentrated on new bodies, to ensure that they start off on the soundest possible managerial footing, and on those existing bodies where the greatest possible benefits will be secured. We do not want effort to be diverted from other, more productive tasks, including pressing ahead with the implementation of the Next Steps initiative in Departments. For these reasons the new approach will be applied flexibly but systematically in the course of the current cycle of NDPB reviews which is due to be completed at the end of 1992.

These proposals are consistent with existing NDPB policy and with Next Steps. The general policy relating to the creation of the new NDPBs - that they will continue to be resisted unless it can be demonstrated that this is the most appropriate and cost-effective solution to the task - is in no way affected, nor the requirement to review regularly the continuing need for them.

If you agree, we will now set in hand the detailed work required for the effective implementation of these proposals as part of the current cycle of NDPB reviews.

I am copying this letter to Ministerial Heads of Departments, to Norman Lamont and to Sir Robin Butler.

Richard Luce

RICHARD LUCE

3 January 1990

NDPB POLICY: DEVELOPING A NEW APPROACH

Note by OMCS and HM Treasury

Introduction

This note sets out a programme of action for the selective application of the Next Steps approach to executive NDPBs. It is tailored to the different needs and particular circumstances of NDPBs and is intended to be applied flexibly and selectively in the course of the impending cycle of NDPB reviews.

Background

2. The Government's policy towards NDPBs has remained broadly unchanged since 1979. It was most recently restated by the Prime Minister in January 1988 in the following terms:

- the main responsibility for maintaining progress on NDPB policy should rest with senior management in NDPBs and their sponsoring departments;
- all NDPBs will be subject to comprehensive review at least every five years, which will consider the continuing need for each body, its objectives and financial and other management systems;
- proposals for new NDPBs will continue to be resisted unless it can be demonstrated, within a strict framework of financial and management controls, that this is the most appropriate and cost-effective solution to the task; and that the legislation setting up a new body should normally contain powers to permit winding up at a later date.

3. The Prime Minister welcomed the increasing emphasis on strict financial and management controls, and hoped that as many NDPBs as possible would set up effective corporate planning systems. Departments have responded to this in the last NDPB review round and the first part of the current one: a good deal of work has gone into clarifying the respective roles of sponsor departments and NDPBs and improving management arrangements.

Next Steps

4. Much of the management philosophy which lay behind the launch, last February, of the Next Steps initiative, is clearly relevant and applicable to executive NDPBs. For this reason, the OMCS and Treasury have been considering whether and how aspects of the Next Steps approach might be applied to executive NDPBs. In doing so, the central departments have been mindful of the differences between NDPBs and Next Steps Agencies, as well as the similarities. The new approach, which is described below, seeks to apply relevant elements of the Next Steps philosophy to existing NDPB policy in a practical and effective fashion.

5. Some of the characteristics of executive NDPBs are analogous to those of Next Steps Agencies. They are, by definition, performing executive functions. They operate at arms' length from their parent departments. Indeed their status, often defined in statute, in many cases is there to emphasise a Ministerial decision to eschew involvement in day to day operations. The use of corporate plans, financial memoranda and annual reports is widespread and predates Next Steps. The primary objective of the proposed approach is to build upon what is already in place, and to spread best practice, in a systematic yet flexible way.

6. Executive NDPBs cover widely differing types of bodies, but in most cases the application of Next Steps principles is likely to involve:

- a. to the maximum extent practicable, delegating to the body responsibility for running its own affairs, as set out in an agreed "management statement";
- b. setting challenging but realistic performance targets, covering efficiency and effectiveness in the delivery of services;
- c. preparing a Corporate Plan for use by the sponsor department (and, where appropriate, the Treasury) as the vehicle for agreeing the body's strategic priorities and determining its financial and other targets;
- d. publishing annual reports and accounts to permit Parliament, customers and the taxpayer to judge the body's success in meeting its targets.

7. The "management statement" will be broadly similar to a Next Steps framework document. It will cover the NDPB's main aims and objectives, its relationship with and its accountability to its parent department, as defined in legislation or elsewhere, the arrangements for financial planning and control, and the extent of the body's delegated responsibilities.

Key elements

8. The key elements of this approach are:

- a. increased delegation of responsibilities to NDPBs in keeping with best FMI practice;
- b. through the preparation of a "management statement", a clearer and more precise definition of the body's aims, and objectives and the arrangements for financial planning and control;
- c. improved accountability.

A Selective Approach

9. It is proposed that:

- a. All new executive bodies should be set up with a clear management statement which defines the purpose of the body and its relationship with its sponsoring department. This will cover, inter alia, resourcing, objectives and financial and personnel management systems and procedures including, where appropriate, agreed managerial freedoms and flexibilities.
- b. the review of all existing executive NDPBs over the five years to end 1992 should be conducted against the backcloth of this approach. However, as the preparation and introduction of a comprehensive management statement can involve a substantial commitment of departmental resources and as this is unlikely to be either available or at present warranted in relation to all executive NDPBs, a selective approach will be appropriate, drawing on the criteria set out at paragraph 9.¹⁰
- c. by end March 1990 departments should consider for which of their existing executive NDPBs a management statement is to be prepared in the course of the current review cycle, with a timetable for completion for each body, and inform the central departments of their proposals. The intention is that effort will be concentrated on those bodies where there is the greatest need (ie where departments judge that the current management arrangements are inadequate, or where a reappraisal of the relationship between the department and the body is justified on wider policy grounds).
- d. the responsible Minister will be required to confirm his agreement to each management statement.
- e. the general policy relating to the creation of new NDPBs will not be affected, nor the periodic requirement to review the continuing need for them; only if this test is passed should a management statement be drawn up;
- f. centres of departments will have an enhanced role in NDPB management. They will be required to chart the progress of NDPB reviews and the introduction of management statements; exercise a quality control role for management statements; and make reports to the central departments.

Selection Criteria

10. In selecting bodies for initial review, departments should concentrate on priorities. This recognises that time and effort is needed if the changes being sought are not to be simply superficial and that this effort should be concentrated on those bodies where there is most need and where real improvements are

in prospect. Priorities should take account of:

- the size and significance of the body, and its responsibility for administrative and programme expenditure;
- the scope for increased delegation;
- the need to clarify the body's aims and objectives and to set it more challenging performance targets;
- the room for improvement in the body's management and accounting systems, and the extent to which the existing financial memorandum and other documents already cover the ground which would be addressed in a framework document;
- whether there has been a recent fundamental review of the body; and
- the department's priorities in the allocation of senior management and financial management resources.

The Central Departments

11. The central departments will continue to oversee the NDPB review programme. It is not intended to increase their role in relation to individual bodies but, as in the past, the Treasury should be consulted before any significant changes are made in the financial arrangements for NDPBs, particularly those with substantial expenditure, or any departure from usual practice in its areas of responsibility. "NDPBs: A Guide for Departments" will be revised to reflect the approach set out in this note.

12. This approach is intended to be consistent with existing NDPB policy - merely adding to that policy the relevant elements of the Next Steps philosophy. It is not intended to cut across existing responsibilities for NDPBs, or their arms length status.

Action

13. For Departments the action now is to examine their executive NDPBs with a view to identifying those which will benefit from the introduction of this management approach in the course of the current review cycle, and to notify the central departments of their proposals by end March 1990. In addition, departments should now ensure that all new executive NDPBs are set up with a management statement. As indicated above, the central departments will be revising the NDPB Guide, and the new version will take account of these developments, in particular in Appendix L, which offers detailed guidance on conducting NDPB reviews. It is hoped to have the revised guide ready early in the New Year. The central departments will continue to offer guidance or assistance and spread best practice.



NLM
REC
7/1

The Rt Hon Norman Lamont MP
Chief Secretary
H M Treasury
Parliament Street
London
SW1

Richmond House
79 Whitehall
London SW1A 2NS
Telephone 01 210 3000
From the Secretary of

State for Health
02 JAN 1990

Dear Norman,

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES: DRAFT WHITE PAPER

Your letter of 4 December refers.

I am generally content with the draft White Paper and agree that it should be issued for consultation. However I believe there is a danger that too much emphasis on central restriction and control will undermine the ability of Chief Executives to get on with managing their Agencies efficiently and effectively and therefore have precisely the opposite effect to that which the Next Steps initiatives is seeking to achieve. I trust this will be borne in mind in implementing the proposals in the White Paper.

I am sending copies of this letter to the Prime Minister and other Cabinet members, Patrick Mayhew, Lord Cameron, Richard Luce, and Linda Chalker; and to Sir Robin Butler, Sir Angus Fraser and Mr Peter Kemp.

KENNETH CLARKE

So it MACH: Rayner

1932





UK

Meeting records
cc Master

cc Ms Sinclair

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 December 1989

Dear Andrew,

VALUE FOR MONEY SEMINAR ON THE EXPENDITURE OF MAFF

The Prime Minister held a Value for Money (VFM) Seminar this morning on your Ministry's expenditure. Your Minister and Permanent Secretary attended. Also present were Sir Robin Butler, Sir Angus Fraser, Mr Brereton and Mr Brown (Efficiency Unit) and Miss Sinclair (Policy Unit).

Your Minister began his presentation by setting out the major changes which were taking place in MAFF functions and organisation. Historically, it had been targeted towards the production of additional food, and in this it had been successful. But times had changed; most foodstuffs were either in plentiful supply or even in surplus. Greater priority now needed to be given to the environment and to food safety. The Department was being reorganised to reflect the three main functions and, in terms of expenditure and manpower, resources were now fairly evenly divided between them. A special effort had been made to clarify the division of responsibilities with the Department of Health and the Department of the Environment. As well as improving the organisation, efforts were being made to improve value for money across the Department. An IT strategy had been put in place and a Buildings Directorate established. MAFF was very much a science-based Department, its employment of scientists being second only to MOD.

The growing concern for the environment could be illustrated in a number of ways. Capital grants had been re-structured away from pure support for additional production towards conservation and waste disposal; in forestry, approvals for broadleaf plantings now exceeded those for conifers. There had been a large rise in reported incidents of farm pollution. This was less an indication that matters were getting worse than a sign of greater concern and hence greater readiness to report incidents. The number of prosecutions had risen substantially. The designation of Environmentally Sensitive Areas had been a highly successful innovation which other countries were imitating. The priority given to flood protection had been increased. This was important, as much of the best quality agricultural land was also the most vulnerable to flooding.

Your Minister then turned to food production. He illustrated the way in which reform of the CAP, which Britain had led, had produced substantial savings in agricultural expenditure. This was seen most dramatically in the decline in stocks of surplus produce. The difficulty was to stop other countries trying to find other ways of spending the shortfall. The recent movement in the exchange rate had caused negative MCAs to open up again. In order to ensure fair competition throughout the Community, it was essential to eliminate these by 1992, though there would inevitably be some impact on the cost of living. There was likely to be resistance from Germany. One consequence of better control of CAP expenditure was that farm incomes in the UK had been held down and in real terms were below where they were in 1980.

Your Minister said the Department had reorganised the way it handled food safety and should now be very much more effective. The difficulty was to resist pressures for more bureaucratic restrictions and controls (for example, the Richmond Committee was likely to recommend licensing of food premises). He believed that, far from being a weakness, the fact that MAFF was responsible for both food production and food safety was a strength. He did not believe the recent problem of lead in feedstuffs could have been handled as effectively if regulation had been the responsibility of a separate body along the lines of the US Food and Drug Administration. It was, however, necessary to strengthen the ability of the Department to handle crises over food safety and he was investigating changes in management and structure to achieve this.

Your Minister then turned to the Department's research and advisory service. Total research spending in 1991/92 was projected to be just over £100 million, of which £55 million would be devoted to food safety, £28 million to natural environment and £19 million to farming. The move away from near market research was largely complete.

The aim of recovering 50 per cent of ADAS costs on advisory work by 1993 was likely to be achieved, but he did not believe (and nor did those working in ADAS) that the matter could be left there. He was looking at various other options, including privatisation, and would be making proposals soon. The effectiveness of the Department's research and advisory service could be seen in the enormous reductions which had been made in recent years in animal diseases.

Management arrangements within the Ministry have developed with the aid of MINIM and increased devolution of operational expenditure to budget holders. Your Minister was looking at ways to ensure that management responsibilities continued to be delegated as far as possible including the scope for an efficiency scrutiny of central services beginning with personnel in consultation with Sir Angus Fraser and the Efficiency Unit.

The Prime Minister thanked your Minister for an excellent presentation. She welcomed the efforts that had been made to reorganising the Department to bring it into line with contemporary needs and stressed the importance of continuing to seek greater value for money within each of the main functions of the Department. She looked forward to receiving proposals for further development of ADAS and hoped that efforts to devolve management from the centre would continue.

I am copying this letter to Carys Evans (Chief Secretary's Office) and to Sir Robin Butler and Sir Angus Fraser.

*Your sincerely
Andrew Turnbull*

ANDREW TURNBULL

Andy Lebrecht Esq
Ministry of Agriculture, Fisheries
and Food

MR A TURNBULL

VALUE FOR MONEY SEMINAR ON THE EXPENDITURE OF MAFF

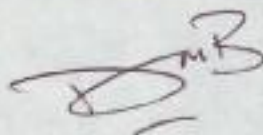
Thank you for your comprehensive record of the discussion yesterday. It properly pays tribute to a skillful presentation in which most of the points that we would have wanted to raise were effectively pre-empted.

There are two changes which I think we can legitimately make which will help us to follow up the seminar with the Department. The first is an addition to the penultimate paragraph on page 2 which currently ends "made in recent years in animal diseases." I would be grateful if you could add

Add as above para at X.

"Management arrangements within the Ministry have developed with the aid of MINIM and increased devolution of operational expenditure to budget holders. Your Minister was looking at ways to ensure that management responsibilities continued to be delegated as far as possible including the scope for an efficiency scrutiny of central services beginning with personnel".

If you are happy to make that addition I would then conclude the following paragraph with the words "in consultation with Sir Angus Fraser and the Efficiency Unit."



D BRERETON

cc Graham Brown

File 110



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 December 1989

As part of her series of Value for Money seminars the Prime Minister will be holding a seminar on Value for Money in the Department of Employment on Wednesday 21 February at 1545 hours.

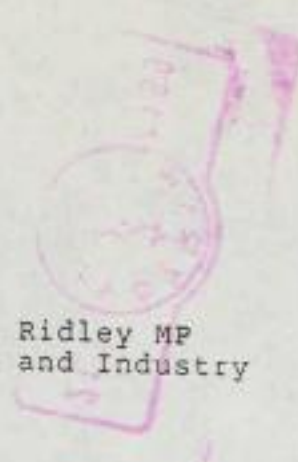
The Efficiency unit will be in touch with you in the near future to discuss the agenda for the meeting and details of your Department's presentation.

I am copying this letter to the Private Secretaries to Sir Geoffrey Holland, Sir Angus Fraser and to Sir Robin Butler.

AMANDA PONSONBY (Mrs.)

Nicholas Drane, Esq.,
Department of Employment.

KX



MSB
Alca
2/12

ALP
PC

2 MARSHAM STREET
LONDON SW1P 3EB
01 276 3000

My ref:
Your ref:

The Rt Hon Nicholas Ridley MP
Department of Trade and Industry
Victoria Street
LONDON
SW1

221

24 December 1989

Dear Secretary of State

THE DEREGULATION INITIATIVE: BETTER REGULATION

In your letter of 13 December to John Major, you invited comment on the draft report to Parliament in the progress of rolling reviews. I have one amendment to the draft.

This Department nominated as its candidate for the second round of the Rolling Review Programme a review of two aspects of the General Development Order. I announced on 11 October my decision to withdraw the first of these - possible simplification of planning requirements relating to uses of open land and existing buildings in the countryside. I am still considering the proposals relating to the second aspect - permitted development rights for non-domestic and other uses and would prefer, at this stage, not to be committed to pursuing them. Therefore, I do not wish either of these to be announced to Parliament as topics for review and both should be deleted from annexes B and D.

My officials have been in touch with yours with a further minor amendment.

I am copying this letter to other Cabinet Ministers, to deregulation Ministers and to Sir Angus Fraser and Sir Robin Butler.

Yours sincerely
Chris Patten
PP
CHRIS PATTEN

(Approved by the Secretary of State
and Signed in his Absence)



Govt Mach
Rayner

Pt 32



Ref. A089/3308

NBPM
BT 19/12

MR BRERETON

cc Mr Kemp
Mr Gray

Prime Minister's Value for Money Seminars

The Prime Minister's programme for Value for Money Seminars is set for 1990 (Mr Gray's letter of 6 December) and I do not seek to reopen it. But I have had some suggestions from Mr Kemp and his team which seem to me worth consideration and which I pass on for when you are preparing the next programme.

2. One suggestion is the Welsh Office. This has not previously been the subject of a VFM Seminar, I think, and its inclusion in the programme would fit in well with the Prime Minister's wish to include the weaker brethren.

3. Two other suggestions are the Northern Ireland Civil Service, who have over 20,000 staff, and should not be left out of this sort of operation - actually, I think that they would be pleased to be remembered; and one or more of the Legal Departments - Land Registry, Court Service and Crown Prosecution Service.

R.B.

ROBIN BUTLER

20 December 1989



Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH
01-270 8574

Left

*Nolan
R16
20/12*

From the Minister of State

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

20 December 1989

Dear Nick,

THE DEREGULATION INITIATIVE: BETTER REGULATION

Thank you for a copy of your letter of 13 December to John Major and its attachments. *He with PG*

You may by now have seen my own letter to John Redwood, also of 13 December, in which I suggest as the MAFF candidate for the second rolling review round an enquiry into product classification for which export refunds and Monetary Compensatory Amounts are fixed, and the differentiation of refund rates by destination. This would as I explained be undertaken as an add-on exercise to an efficiency scrutiny already underway.

The paper you have circulated spells out your wish to change the emphasis of the rolling review exercise. I am sure that there is a need for this. My own letter notes the difficulty of finding individual topics for full-scale rolling review treatment which are likely to yield results sufficient to justify the manpower invested in them. I see that, besides MAFF, there were five other Departments which at the time of your letter had either not responded or had been unable to suggest candidates.

Your idea of wider reviews (which I understand are to be undertaken by EDU staff by interview with individual businesses) is an interesting one. However, I am seriously concerned that within MAFF's area of responsibility you have chosen food related issues. As I have already made clear in my letter of 13 December we do not think a review of the health aspects of food legislation would be sensible at present in view of current concerns, impending legislation to meet those concerns, and the Audit Commission's current study. Much the same might also be said about the health aspects of small-scale egg production which you have also chosen to review.

/My suggestion is...

Gov MACH - Rogers Pr 32

My suggestion is that Departmental Ministers must have the final word in approving items for such treatment. In this way effort can be concentrated on areas which are likely to prove productive from a deregulatory point of view and where full account can be taken of all aspects of legislation and controls imposed on the relevant business sector.

I am copying this letter to the Prime Minister and members of the Cabinet, to fellow colleagues with Departmental responsibilities for deregulation and to Sir Angus Fraser and Sir Robin Butler.

Janssen
Dean

THE BARONESS TRUMPINGTON



CEP



Y SWYDDFA GYMREIG
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WHITEHALL LONDON SW1A 2ER
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01-270 (Llinell Union)

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)

Oddi wrth y Gweinidog Gwledol

From The Minister of State

CT/12520/89

19 December 1989

WJ

James White,

*RACB
20/12*

THE DEREGULATION INITIATIVE - BETTER REGULATION

Thank you for your letter of 13 December and copies of the second round review proposals and draft report to Parliament on progress to date.

I am content with the review proposals though I note that colleagues in MAFF and DE are still considering theirs. With regard to item 13 of the draft report (Annex A) Regional Selective Assistance, it would be helpful to add to the statement of main purpose the words "for small cases" to make clear the extent of the change.

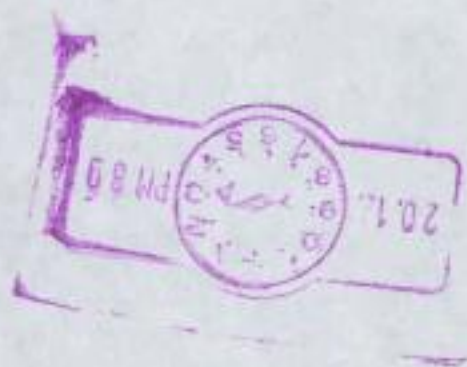
I am copying this letter to the recipients of yours.

Wyn Roberts

WYN ROBERTS

Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
London SW 1

Govt Mach - Rayner Pr 32





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

From the Parliamentary Under Secretary of State for Social Security

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

NRB

RAG

W12

19 DEC 1989

Dear Nick

THE DEREGULATION INITIATIVE: BETTER REGULATION

I am commenting on behalf of DSS on your letter to John Major dated 13 December which set out your plans for future deregulation work.

As you and John Redwood know, the DSS has always supported the Government's deregulation initiative and has co-operated with other Departments (particularly Inland Revenue) where appropriate in the course of our deregulation work. I welcome the practical way in which you intend to tackle the proposed reviews particularly the idea of asking those setting up new businesses what they think of the problem. I am therefore content for my officials to work alongside their counterparts in other Departments in those reviews which are relevant to our activities. I have no comments to make on your proposed Parliamentary answer in Annex D of your note to E(CP).

I think however that care should be taken not to raise expectations too high about the results of these wider reviews as a good deal of this ground has been tilled before. I am pleased to see that the review on reducing barriers to the development of a flexible workforce will be confined to looking at the administration of controls covering Social Security and even here we must be ever watchful of the often substantial NIC revenue and benefit expenditure implications of changing administrative procedures.

On a more parochial note, the workload of these four wider reviews will fall heavily on some Departments including mine. We will certainly be involved in the attempt to simplify the impact on new and growing business of regulatory obligations. Although we are not specifically mentioned in Annex C of your note to E(CP) under the item on reduction of compliance costs in the taxation field, your officials have said that we will be invited to assist in the work as it applies to National Insurance contributions. We expect to help also with the topic on reducing barriers to the development of a flexible workforce.

E.R.

However we would rather wait until April next year before committing resources to these new deregulation activities. You may be aware that my Department is facing substantial challenges in the year ahead and beyond, setting up agencies (and the Contributions Unit), implementing our operational strategy and carrying out the Disability Review. It would be helpful to us therefore if each review could be staggered, particularly as some of my officials could be involved in three of them. I assume that we will not be expected to carry out a Departmental deregulation review next year as well as these wider reviews.

I am copying this to those who were sent copies of your letter.

Yours ever
Oliver

THE LORD HENLEY

Govt Mach. Rayu
1177



CONFIDENTIAL

CCPH

THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE

01 238 3290

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

NBRM

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W/12

19 December 1989

See Nick

THE DEREGULATION INITIATIVE: BETTER REGULATION

RRG

Thank you for copying to me your letter of 13 December to John Major.

I warmly welcome the approach you are taking, and I am content with your proposed report to Parliament, subject to one comment. This concerns the inclusion in the Enterprise and Deregulation Unit's review (described at Annex C to your letter) of a case study concerning filling stations. As you are aware, the MMC is currently investigating this area and will be reporting to you next week. The report is quite likely to cover questions such as the licences under which petrol retailers operate. I would therefore question the timing of the EDU's proposed case study on this topic.

I am copying this letter to the recipients of yours.

you see
for

JOHN WAKEHAM

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Rayner
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Howell Harris Hughes cc of Mr

The P.M. has already approved the broad framework
Mr. Ridley proposes, so I doubt if she would want to
raise these points herself. It is up to you to feed in
18 December 1989 X yourself.

PAUL GRAY

PHCG
18/12

THE DEREGULATION INITIATIVE -
MR RIDLEY'S LETTER OF 13 DECEMBER

Case 1287/89

Mr Ridley asks for comments (by 19 December) on his plan for 'Wider Reviews' to supplement the second round of Rolling Reviews.

His suggestions are in themselves very worthwhile but outsiders who have been involved with the Enterprise and Deregulation Unit say that it now lacks the impetus to get effective co-operation from departments, whose lack of interest is demonstrated by the shallowness of their suggestions for the Second Round Reviews.

The Prime Minister might want to ask Mr Ridley about that; perhaps the function of the EDU needs to be redefined as a pre-condition for taking the work forward.

X
There may also be a case for asking Mr Ridley whether a change in the name of the programme might not be helpful, too. New regulation - as for example in relation to the environment - is inevitable but the aim is surely SIMPLIFICATION. That is perhaps a better slogan.

Howell Harris Hughes

HOWELL HARRIS HUGHES

CEP*NBRM
PCC
2/12*

Treasury Chambers, Parliament Street, SW1P 3AG

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

18 December 1989

*Dear Nicholas***THE DEREGULATION INITIATIVE: BETTER REGULATION**

Thank you for copying me your letter of 13 December to John Major.

I share your view that the momentum of the deregulation initiative needs to be sustained and that the second round of reviews needs to tackle substantial topics and I would welcome further suggestions for future rounds of the rolling programme. But I am not clear that the reviews described in your paper would lead to worthwhile results in the tax administration field. The main problem is that they cover areas that have already been looked at extensively.

Your paper mentions Professor Sandford's work on tax compliance costs. You may have seen my letter of 13 November to John Redwood about Professor Sandford's work. As I mentioned there, his main specific proposal - less frequent PAYE payment dates for smaller firms - is already the subject of an efficiency scrutiny and his other recommendations have in large part already been looked at as part of the Revenue's regular deregulation programme.

Similarly, the information needed for tax purposes in company accounts has been considered in depth in recent years and the relaxations which we agreed were possible are being introduced under the recent Companies Act. As you rightly say, the Inland Revenue do rely on these accounts for the information that they need. It will be important to bear in mind this use of accounts if any alternative proposals or new forms of incorporation are to be genuinely deregulatory and represent a real reduction in compliance costs for small companies.

CONFIDENTIAL

Insofar as your proposed review of "the flexible workforce" goes, I assume the main tax area is the Schedule D/E boundary. Again, this is something my predecessors have repeatedly examined. If there are any genuinely new considerations to be brought into account I will look at them. But I must question whether it is an efficient use of scarce staff and resources to rake the same ground over again.

These are not arguments against your proposed announcement of the second round of departmental reviews and, if colleagues are content, of wider reviews. But I think it does point up the need to carefully consider how these reviews can genuinely break new ground. It will be of little help to us to build up false expectations.

I am copying this letter to the recipients of yours.

Yours ever
Peter

PETER LILLEY

GOVT MACH

Rayner

Pt 82



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

NO 11

BT

18/12

CC P/A

From the Minister

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

December 1989

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES: DRAFT WHITE PAPER

I have now seen a copy of your letter of ^{Aap} 14 December to Douglas Hurd, which seems not to have reached me in the initial circulation. I have also seen the letters of 8 and 11 December from Chris Patten and Tony Newton.

While I am very content with the publication of the White Paper, I do share Chris Patten's and Tony Newton's views. Clearly thinking both in Departments and in the Treasury is still developing on the question of financial controls and flexibilities for agencies, as each new candidate comes under scrutiny. I believe there is some way still to go on a number of aspects where traditional approaches have not fully adjusted to the implications of "Next Steps". The publication of this White Paper should therefore be seen as a milestone, but not as the end of the journey.

I am copying this letter to the Prime Minister and other Cabinet members, Patrick Mayhew, Lord Cameron, Richard Luce, Lynda Chalker, Sir Angus Fraser, Peter Kemp, and to Sir Robin Butler.


JOHN GUMMER

GOUT MACH - Rouven PT32



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MAFF VALUE FOR MONEY SEMINAR: THURSDAY 21 DECEMBER

John Gummer has reorganised the Ministry of Agriculture, Fisheries and Food to demonstrate the greater importance now being placed on consumer issues, notably food safety. This is welcome. But it will be important to ensure that "consumer interests" are not used indiscriminately as an argument for more money, more people and more intervention. Such traditional thinking dies hard in the Ministry.

There are three areas on which you might like to satisfy yourself that MAFF are providing value for money:

- (1) the new arrangements for dealing with food safety;
- (2) the role of ADAS (which accounts for half of MAFF's manpower) in providing advisory and other services to farmers;
- (3) MAFF's environmental policies.

(1) Food Safety

John Gummer has set up a food safety directorate within MAFF. Basically this has involved taking responsibility for the food industry and fisheries away from the Deputy Secretary handling Food Safety, Food Science and Animal Health. The Food Safety Directorate has been beefed up by the addition of two senior officers taken from the CAP side (see organisation chart at Annex A).

The proof of this pudding will be in the eating. MAFF need to be able to demonstrate that an internal reorganisation

on these lines will put the consumer, as opposed to the producer, first in order to stave off pressure for a separate food safety agency.

MAFF will spend just under a fifth of its non-EC budget (£104 million out of £566 million) on food safety work, including staff costs, in 1990/91.

You could ask John Gummer what steps he will be taking to measure the effectiveness of the new food safety directorate within MAFF.

(2) ADAS

If ADAS did not exist, we would not now invent it. It belongs to the post-war era in which every thing possible was done to help farmers to produce more food.

ADAS' main role is providing advisory and other services to farmers. Under Treasury pressure, MAFF have now begun charging for some ADAS services, and are committed to increasing the proportion of costs recouped through charges to 50%.

There are strong arguments for privatising much, or all, of ADAS. Many farmers already use private agronomists in preference to ADAS because they find that the latter are generalists who cannot provide the specialist advice which they want.

Some people are already leaving ADAS to set up as consultants in specific fields. Charging for ADAS' services is weaning farmers away from a world of free advice. Privatisation of ADAS would cause a fuss, but in reality the extent of the change would be less than some might suggest.

The issue is very contentious within MAFF. Some officials see privatisation as right, and inevitable in the long run. Others are concerned about the reaction of the staff; and also at the loss of in-house expert advice for Ministers during a crisis. Both these arguments are used to argue for agency status rather than privatisation (agencies remain responsible to Ministers).

You could ask John Gummer how he sees the future of ADAS. An indication that you favoured privatisation would help to push the debate along.

(3) MAFF environmental policies

These are assuming increasing importance, not least in the context of the Environment White Paper. MAFF say that grants purely to encourage increased agricultural production have now been cut out.

MAFF have a number of policies designed to encourage environmentally friendly farming, eg:

Environmentally Sensitive Areas;

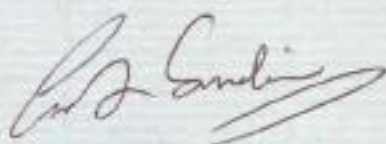
Farm and Conservation grant scheme;

Farm Woodland Scheme;

Special payments in East Anglia for set-aside land used in an environmentally friendly way.

It is still early days to say how cost-effective some of these schemes are. They are by nature staff-intensive (because of the need for on-site inspection). It would be wrong to extend them merely as part of a "green bandwagon". But some extension of arrangements which look promising in terms of environmental value for money would be worthwhile.

You could ask John Gummer which of the Ministry's schemes for encouraging environmentally friendly farming seem to be most cost-effective, and ask if he has plans for extending such schemes within existing cost constraints.

A handwritten signature in cursive script, appearing to read 'Carolyn Sinclair', with a long, sweeping underline.

CAROLYN SINCLAIR

PROPOSED REORGANISATION OF MINISTRY HEADQUARTERS; WEF 20/11

FOOD SAFETY DIRECTORATE - (MR CAPSTICK)

- Food Safety Group
- Food Safety Division I (present Food Standards Division)
 - Food Safety Division II (present Food Safety, Fertilisers and Feedingstuffs Division)
 - Food Legislation Division
 - Microbiological Safety of Food Division
- Food Science/ Group
- Food Science Division I
 - Food Science Division II
 - Food Science Laboratory
- Pesticides, Veterinary Medicines and Emergencies Group
- Pesticides Safety Division
 - Veterinary Medicines Directorate
 - Emergencies and Food Protection Division
 - Biotechnology Co-ordinating Unit (new unit to be established)
- Animal Health Group
- Animal Health Division
 - Animal Welfare and Protection Division
 - Meat Hygiene Division

AGRICULTURAL COMMODITIES, TRADE AND FOOD PRODUCTION DIRECTORATE -
(MR PACKER)

- European Community & External Trade Policy Group - European Community Division I
- European Community Division II
- External Trade Policy Division
- Arable Crops Group - Cereals, Set-aside and Extensification Division
- Sugar, Oils and Fats Division
- Horticulture and Potatoes Division (Potatoes Branch transferred from present Milk Marketing and Potatoes Division)
- Livestock Products Group - Beef Division
- Sheep Division*
- Livestock Subsidies Division*
- Milk (European Community) Division+
- Milk Marketing Division+
- Pigs, Eggs and Poultry Division
- Food, Drink and Marketing Policy Group - Food Industry, Marketing and Competition Policy Division
- Alcoholic Drinks Division
- Tropical Foods Division
- External Relations and Trade Promotion Division

*It is proposed that Sheep and Livestock Subsidies Divisions will be merged in due course.

+It is proposed that the two Milk Divisions will be merged in due course.

COUNTRYSIDE, MARINE ENVIRONMENT AND FISHERIES DIRECTORATE - (MR HILTON)

- Lands Group
- Rural Structures and Grants Division
 - Land Use and Tenure Division
 - Conservation Policy Division
 - Environmental Policy Division
- Fisheries Group
- Marine Environmental Protection Division
 - Fisheries Division I
 - Fisheries Division II
 - Fisheries Division III
 - Fisheries Laboratories
 - Sea Fisheries Inspectorate
- Flood Defence, Plant Protection and Agricultural Resources Group
- Flood Defence Division (including River and Coastal Engineers)
 - Plant Health Division (including PHSI)
 - Plant Variety Rights and Seeds Division
 - Agricultural Resources Policy Division
- Economics and Statistics Group
- Economics (Farm Business) Division
 - Economics (International) Division
 - Economics (Resource Use) Division
 - Economics and Statistics (Food) Division
 - Statistics (Agricultural Commodities) Division
 - Statistics (Census and Prices) Division

cebarup

PRIME MINISTER

MAFF VALUE FOR MONEY SEMINAR: THURSDAY 21 DECEMBER

INTRODUCTION

1. John Gummer and Derek Andrews will attend. The last seminar you held on value for money in MAFF was begun in December 1987 and adjourned. It was concluded in July 1988. Notes of both these previous meetings are attached.

2. Total annual expenditure by MAFF and IBAP is around £1.7 billion, two-thirds of which is related to CAP, where MAFF has little direct influence in securing better value for money. Of the remaining expenditure under MAFF's direct control - some £470 million - the principal areas of activity are:

- Commissioned agricultural and food research and development (of which food science £17m) £141m (30%)
- Departmental research and advisory services (of which food R & D £20m) £110m (24%)
- Structural measures for agriculture £83m (18%)

Other areas of significant spending, each around £40 million per year, include support to the fishing industry, animal health and drainage and flood prevention work. Details of expenditure and allocation of manpower by activity are at Annex A.

3. At the time of your last seminar with MAFF, Sir Robin Ibbs advised you that John MacGregor was making a determined effort to make his Department more cost conscious, flexible and responsive. Real progress has been made, but the Department has been slower than many in refining its management systems. Objectives can be rather vague (for example, 'ensure better value for money in the management of EC support measures') and the Department tends to be secretive about what targets have been set and the results that were achieved against them. Unlike many Departments, targets and performance data monitored as part of the management information system (MINIM) are not released outside the Department nor widely circulated within. This leads internally to a poor understanding of the task to be performed and externally to - possibly undeserved - suspicion. The seminar provides an opportunity for Mr Gummer to outline what has already been achieved and his plans for further improvements in the future.

HANDLING

4. I understand that Mr Gummer intends to speak for about 20 minutes and aims to demonstrate the way in which his Department is changing to meet the challenges of the next decade. He has chosen three main themes:

- the environment;
- food production and the Community; and
- food safety.

In each case, he intends to stress the importance of the Department's science base. He also wishes to address changes in train in the management of the Department and developments on Next Steps agencies. Mr Gummer does not intend to discuss the Intervention Board for Agricultural Produce (IBAP), the main executor of CAP market support measures in the UK, for which he and other agriculture ministers have joint responsibility. Nonetheless I suggest below (para 11) that the role of IBAP in the Next Steps programme is worth a question.

5. I suggest that the seminar should concentrate on the management of MAFF's programmes rather than the nature of the programmes themselves. It will be important to establish that clear objectives exist for each programme, and that demanding targets are set not just for results, but also for minimising the resources necessary to achieve them.

THE ENVIRONMENT

6. MAFF's interests include improving flood defences, conservation, the control of nitrates and other chemical pollutants and fishing industry Total Allowable Catches (TACs) and fleet capacity. MAFF now have clear process targets in most of these areas (i.e. what actions are to be taken), but the output of MAFF work in terms of a better environment for the tax payer is less clear.

Issues:

a. How does MAFF measure the impact of its programmes?

- what, for example, have the Farm and Conservation Grant Scheme and its predecessor the Agricultural Improvement Scheme done to improve the environment and reduce pollution?

b. What are the principal objectives of MAFF's environmental R & D programmes? Are the direction and scale of research changing in line with growing public concern for the environment?

FOOD PRODUCTION & THE COMMUNITY

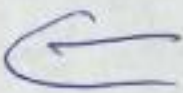
7. CAP reforms already introduced have saved £15 bn since 1984. Controls on the growth of CAP spending will reduce its share of EC expenditure from 65% in 1987 to about 59% by 1992. Intervention stocks have fallen dramatically. Measures to control over-production include stabilisers and set aside schemes. MAFF's contribution to CAP reform has been considerable and Mr Gummer will naturally want to

describe to you the value of these achievements. Looking forward, however, MAFF's EC objectives are broadly aimed at ensuring that developments in Brussels do not weaken the reforms already in place. For the short term the major challenges are domestic ones.

8. UK major objectives include:

- establishing the Agricultural ^{Development and} ~~and Dairy~~ Advisory Service (ADAS) on a more commercial basis;
- withdrawal of government funding for near market R&D; and
- encouraging farm businesses to diversify into non-farming activities.

Issues:

- 
- a. What are MAFF and IBAP doing to minimise EC fraud? (The latest report from the Court of Auditors, though not as scaring as last year's, highlights the subsidies on skimmed milk powder and the cash bonuses to sheep farmers as areas of potential abuse.) What is MAFF doing to encourage similarly prudent practices in other member states? (The Court of Auditors also describe as 'money poured down the drain' the assistance to Portuguese agriculture before and after accession to the EC.)
 - b. ADAS is targeted to achieve 50% cost-recovery on non-statutory work by 1993/4. Is this sufficiently ambitious? When is it expected to break even on these services?
 - c. Diversification Capital Grants are being used as a principal means of encouraging farmers to use land for purposes other than food production. How is their success being judged?

FOOD SAFETY

9. This topical area of the Department's work has been the subject of intense media and public interest in recent months. Mr Gummer will outline the greater emphasis now being given to it, including his recently announced reorganisation to create a new Food Safety Directorate in MAFF and the setting up of a Consumer Panel as a focus for consumers' views on food safety and consumer protection policy. Food science and consumer advice currently represent less than 10% of MAFF non-CAP spending. Responsibility for animal health work is included under the food safety heading and will result in total spending by the new directorate of about 18% of MAFF's non-EC budget. This is a highly sensitive area. You may wish to explore how Mr Gummer will ensure that the latest changes are given force, that clear objectives have been set for the new organisation and that it is appropriately funded.

Issues:

- a. What will be the effect of MAFF's recent reorganisation? How will Mr Gummer ensure that real changes take place and how will he demonstrate to the consumer (who still sees MAFF as the producers' representative) that his or her interests are being safeguarded?

b. Does MAFF have the right people in place to handle the change of emphasis away from promotion of the producer to protection of the consumer?

c. Are changes in approach or organisation necessary to public and press relations as a part of improving public confidence in the Department?

INTERNAL MANAGEMENT

10. Mr Gummer intends to explain some of the measures the Department has taken to improve its effectiveness, including the development of expertise in purchasing and building management and the importance of its IT strategy. Despite delegated budgeting, the Department is still subject to strong central control and this may be reflected in the relatively high running costs of MAFF's central services. You may at this point want to explore with Mr Gummer what measures he and his colleagues are using to press for improvements in performance from IBAP which, because of its largely executive function, does not attract the same level of day to day ministerial interest as MAFF.

Issues:

a. The costs of MAFF's central functions (such as Establishments), at 22% of total running costs, are comparatively large. What steps is the department taking to reduce them? Could savings be made by greater delegation to line-managers in the regions?

b. What are agriculture ministers doing to make sure IBAP is set and achieves demanding targets?

NEXT STEPS

11. After a slow start, the Department is intending to set up the Central Veterinary Laboratory and the Veterinary Medicines Directorate as its first agencies from April next year. IBAP is also likely to become an agency at about that time. Although agency status for the Agricultural and Dairy Advisory Service in toto has been ruled out, a number of its component parts are good candidates, separation of which from MAFF would help to simplify the organisation and sharpen the focus on their executive work. Your encouragement to Mr Gummer to bring forward these candidates quickly would be helpful.

SCRUTINIES

12. With our encouragement to tackle an EC subject, MAFF are currently conducting a scrutiny of EC product classifications in an effort to help the Commission simplify the 1200 or so classifications of product currently used for export refund purposes. Though identifying opportunities for change which would be acceptable to all member states is proving difficult, it seems likely that there is some scope for simplifying administration and reducing the opportunity for EC fraud.

13. Although MAFF have been a regular user of the scrutiny technique, the areas they have chosen to look at have been relatively unambitious. As a future subject, I would like to encourage MAFF to scrutinise a significant area of running cost expenditure. Given the

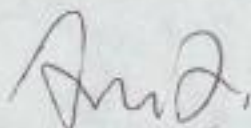
apparently high cost of central services, the Establishments function may provide a suitable area. Recent experience in PSA has shown that major savings in this area are possible by decentralisation and greater delegation of responsibility to line-management.

OBJECTIVES

14. To summarise, it would be most helpful if you could use the seminar to emphasise the following:

- a. That in shaping the future programme of work for MAFF it is vital to have clear objectives for each area of work, and to set demanding targets not just for what must be achieved, but also for the resource cost of achieving them.
- b. That MAFF has the demanding task of improving the confidence of the public in the Department's ability to act decisively in their interest. A more open and informative approach to the public would help. A similarly informative approach internally would help staff understand more clearly what is required of them and what they have achieved.
- c. That MAFF should be aware of the possibilities for savings that may be achievable through radical organisational change. A faster move towards the creation of Next Steps agencies coupled with a careful review of the Department's central overheads (using the scrutiny technique where appropriate) would contribute to real progress.

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



ANGUS FRASER
14 December 1989

SUMMARY OF ISSUES TO RAISE

THE ENVIRONMENT

- a. How does MAFF measure the impact of its programmes?
 - what, for example, have the Farm and Conservation Grant scheme and its predecessor the Agricultural Improvement scheme done to improve the environment and reduce pollution?
- b. What are the principal objectives of MAFF's environmental R & D programmes? Are the direction and scale of research changing in line with growing public concern for the environment?

FOOD PRODUCTION & THE COMMUNITY

- a. What are MAFF and IBAP doing to minimise EC fraud? (The latest report from the Court of Auditors, though not as scarifying as last year's, highlights the subsidies on skimmed milk powder and the cash bonuses to sheep farmers as areas of potential abuse.) What is MAFF doing to encourage similarly prudent practices in other member states?
- b. ADAS is targeted to achieve 50% cost-recovery on non-statutory work by 1993/4. Is this sufficiently ambitious? When is it expected to break even on these services?
- c. Diversification Capital Grants are being used as a principal means of encouraging farmers to use land for purposes other than food production. How is their success being judged?

FOOD SAFETY

- a. What will be the effect of MAFF's recent reorganisation? How will Mr Gummer ensure that real changes take place and how will he demonstrate to the consumer (who still sees MAFF as the producers' representative) that his or her interests are being safeguarded?
- b. Does MAFF have the right people in place to handle the change of emphasis away from promotion of the producer to protection of the consumer?
- c. Are changes in approach or organisation necessary to public and press relations as a part of improving public confidence in the Department?

INTERNAL MANAGEMENT

- a. The costs of MAFF's central functions (such as Establishments), at 22% of total running costs, are comparatively large. What steps is the department taking to reduce them? Could savings be made by greater delegation to line-managers in the regions?
- b. What are agriculture ministers doing to make sure IBAP is set and achieves demanding targets?

ANNEX A

TABLE 1

MAFF/IBAP EXPENDITURE

		(£millions)		
		88/89	89/90	90/91
EC Market Support	IBAP	924	1000	1190
	MAFF	173	122	120
IBAP Administration		37	40	40
		<hr/>	<hr/>	<hr/>
		1134	1162	1350
Domestic Market Support		5	6	10
Structural Measures for Agriculture		73	76	80
Animal Health		18	18	20
Flood Protection		20	20	20
R&D		94	110	110
Fishing Industry Support		27	23	20
Civil Defence		9	9	10
Departmental research, advisory services and administration		239	256	270
		<hr/>	<hr/>	<hr/>
		490	518	540
		<hr/>	<hr/>	<hr/>
Total expenditure IBAP & MAFF		1724	1680	1890

TABLE 2

MAFF DEPLOYMENT OF STAFF BY PROGRAMME

Agricultural advice and promotion (24%)	2577
Agricultural R&D (19%)	2040
Other research, advisory services and admin (13%)	1396
Animal Health (14%)	1503
Market support (6%)	644
Structural measures for agriculture (5%)	537
Support for the Fishing industry (5%)	537
Other agricultural and food services (12%)	1288
Civil Defence (1%)	107
Arterial drainage, flood and coast protection (1%)	107
	<hr/>
TOTAL MAFF MANPOWER (IBAP manpower: 880)	10736
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the department for Enterprise

CEPO

CONFIDENTIAL

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

CF-K.

Rt Hon John Major MP
Chancellor of the Exchequer
Treasury Chambers
Parliament Street
London SW1

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Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
01-215 5000

Telex 8811074/5 DTHQ G
Fax 01-222 2629

*Prime Minister
May like to note.*

Direct line 01 215 5622
Our ref JW2AHS
Your ref
Date 13 December 1989

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Dear Chancellor,

THE DEREGULATION INITIATIVE: BETTER REGULATION

In my minute of 16 November to the Prime Minister I said that I would shortly be putting to E(CP) details of some wider reviews together with an overview of the existing rolling programme of departmental reviews, before we report to Parliament. The Prime Minister has now said that she is content with my proposals, subject to your point about matters of fiscal policy. The attached paper therefore incorporates language agreed with your officials.

As I made clear to the Prime Minister, we now need to concentrate on tackling deregulation from the practical point of view of people starting up and building a business. Using this approach, we shall look at the practical experience of a number of entrepreneurs in contending with what they have found to be a time-consuming and distracting range of government requirements in various fields. We shall then see what more can be done to help different types of enterprise contend with "bureaucratic pollution" in the system, particularly where this has the effect of creating barriers to entry.

At the same time I believe colleagues should welcome efforts to look more widely at the cumulative compliance costs for new and growing businesses and at barriers to the development of the flexible work force. In addition I will be seeking a positive response where the current review of the administration of business licensing shows there is scope for cutting down and streamlining the extensive range of licensing requirements. The creation of a database to enable anyone to identify quickly which licences they need and how to obtain



Recycled Paper



the department for Enterprise

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them should in turn facilitate the growth of new businesses. I therefore hope that departments will cooperate in exploring the scope for effective action in these areas.

I should be grateful for any comments you or colleagues may have by 19 December at the latest so that we can provide our promised report to Parliament (along the lines recommended in Annex D of my attached paper) before the Christmas recess.

I am copying this to other members of the Cabinet, to Ministers with departmental responsibility for deregulation, and to Sir Angus Fraser and Sir Robin Butler.

Yours sincerely,

N. R. Butler

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



Recycled Paper

MINISTERIAL COMMITTEE ON COMPETITION POLICY

ROLLING PROGRAMME OF DEREGULATION REVIEWS

Note by the Secretary of State for Trade and Industry
and President of the Board of Trade

Summary

1. The Rolling Programme approved by the Prime Minister last year commits departments to a step by step review of requirements they impose on business, to see whether they can be made less onerous. We have a commitment to report the results to Parliament. The reviews so far completed will provide a range of improvements, as well as some cost saving within departments. But we are in danger of losing momentum as we enter the second round.

2. Most colleagues have now nominated new review topics, but the programme as a whole is still rather thin in terms of potential gains. I have therefore identified some wider reviews to serve as a new stimulus for our work. If colleagues agree, I will include these intended reviews in my report to Parliament due before the end of this year.

First Round of Reviews

3. A list of the twenty-two reviews to be conducted was announced to Parliament on 31 January. An interim report to the Prime Minister on 24 July indicated generally satisfactory progress. Sixteen reviews are now complete, promising worthwhile benefits. A few of the more complex reviews have still to be finalised but already look encouraging. (Annex A provides a tabular summary of this first round.)

Second Round

4. Given this headway I am disappointed that a number of the topics now put forward for the second round are not very compelling. Indeed some do not look capable of producing substantial benefits and MAFF have yet to put forward a candidate. The list (at Annex B) is therefore not sufficiently challenging. I accordingly see a need to change the emphasis of our work by pursuing some wider reviews aimed at a reduction in the cumulative burdens on start-ups and smaller businesses.

Wider Reviews

5. I recommend that DTI together with officials from other relevant departments should review the scope for

- (1) simplifying the impact on new and growing businesses of the battery of regulatory obligations imposed on a range of businesses;
- (2) reducing compliance costs in the company law field, and in the taxation field other than those which have already been reviewed or which flow from fiscal policy decisions;
- (3) reducing barriers to the development of the flexible workforce;
- (4) speeding up and simplifying the extensive range of business licensing systems.

Officials should consider whether there are worthwhile benefits to be secured in these areas and where appropriate identify how this should be done. More details are at Annex C.

Report to Parliament

6. In announcing the topics for the first round my predecessor promised to report the results to Parliament. I propose to make an announcement before the Christmas recess summarising the results to date, but concentrating on the proposed new reviews. The proposed text is at Annex D.

Recommendation

I invite the sub committee to

- (a) endorse the proposed new reviews outlined in paragraph 5;
- (b) endorse the terms of my proposed report to Parliament.

NR

December 1989

ROLLING PROGRAMME OF DEREGULATION REVIEWS
REPORT ON FIRST ROUND

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)
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 PROGRAMME OF REVIEWS: TABULAR SUMMARY BY DEPARTMENT

<u>Review</u>	<u>Main Purpose</u>	<u>Progress/Outcome</u>	<u>Consultations with business</u>	<u>Savings/Benefits to business</u>
<u>DTI</u>				
1) Regulation of Non-Life Insurance	To simplify data collection requirements.	Review complete. A Green Paper may follow.	Widespread consultation with industry, professional bodies and consumer associations.	Long-term changes to procedures may result.
2 + 3) Steel Scrap Export Licensing & Copper Scrap Quotas	To review need for Steel Scrap Export Licences & Copper Scrap Quotas.	Reviews complete. Surveillance licensing of steel scrap abandoned. The UK is seeking the elimination of the copper scrap quotas in EC negotiations.	Trade associations and main companies.	Elimination of unnecessary bureaucratic procedures.
4) Export Procedures Review Implementation	To implement recommendations of EDU Export Procedures Review.	Ongoing. Progress report due by end of year.	Widespread consultation with business, trade associations and export agencies incorporated in review.	Considerable cumulative savings, through simpler minimised export control procedures.
<hr/>				
<u>MAFF</u>				
5) Control of Sheep Scab	To minimise burdens on farmers while safeguarding disease control.	Completed and agreed by Ministers; Dipping requirements reduced.	42 private & public organisations.	£5m per year for sheep industry.

<u>Review</u>	<u>Main Purpose</u>	<u>Progress/Outcome</u>	<u>Consultations with business</u>	<u>Savings/Benefits to business</u>
<u>Customs & Excise</u>				
6) VAT on second hand goods	To reduce record keeping requirements for VAT second hand schemes.	Review completed and agreed by Ministers; 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 export	To examine scope for increasing direct trader input of export data into Customs computers.	Review completed and agreed by Ministers; confirms desire of trade to make more use of computer input; recommends tailoring of existing procedures to particular business circumstances.	1000 questionnaires to businesses plus consultation with trade bodies, Press & trade advertising.	Appreciable compliance cost savings anticipated.
<hr/>				
<u>Health & Safety Commission</u>				
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.
<hr/>				
<u>DH</u>				
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 savings to business.

<u>Review</u>	<u>Main Purpose</u>	<u>Progress/Outcome</u>	<u>Consultations with business</u>	<u>Savings/Benefits to business</u>
<u>Inland Revenue</u>				
10) PAYE Communications with Employers	To streamline & improve communications between Revenue & firms about PAYE.	Review complete. 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.
<u>OMCS</u>				
11) Government Forms	To reduce burden of Government Forms on business.	Review complete and agreed 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.
<u>DSS</u>				
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.

<u>Review</u>	<u>Main Purpose</u>	<u>Progress/Outcome</u>	<u>Consultations with business</u>	<u>Savings/Benefits to business</u>
<u>DTI</u>				
13) Regional Selective Assistance	To simplify payment & monitoring procedures.	Review complete. Results of consultation under consideration.	Organisations representing small businesses.	Savings to business of about £1m per year.
<hr/>				
<u>MAFF</u>				
14) EC fruit & veg marketing standards	To review EC fruit & veg marketing regulations and their impact in UK.	Consultation complete. Report in preparation.	95 individuals & organisations in the trade.	Not yet quantifiable
<hr/>				
<u>DE</u>				
15) Work Permits	To enable UK firms to hire (non EC) overseas staff with minimum of regulations while safeguarding immigration control & UK resident employment.	Review complete and under consideration by ministers.	Stage II - consultation with employer organisations, individual firms, immigration organisations, trade unions & Govt. Depts. to test & refine recommendations.	Recommendations affect 30,000+ applications per year and should reduce delays and compliance cost for firms.

<u>Review</u>	<u>Main Purpose</u>	<u>Progress/Outcome</u>	<u>Consultations with business</u>	<u>Savings/Benefits to business</u>
<u>DOE</u>				
16) Use Classes Order (Part II)	To review special industrial use classes with view to rationalisation.	Consultation complete. Report under consideration by ministers.	LPAs, business & planning professions.	Greater certainty as to whether planning permission needed in any given instance.
<u>DH</u>				
17) NHS Model Standing Orders	To overhaul Health Authority procedures for tendering and contracting in order to extend competition and best procurement practice.	Review complete. and being considered by ministers.	NHS Suppliers, and companies with large procurement programmes.	Reductions in costs of tendering & supply.
<u>Home Office</u>				
18) Administration of Licensing	To review administration of business licences for which H.O. responsible.	Consultations complete. Report in preparation.	Representative associations, administering bodies, departmental sources.	Simplification of forms and systems.
19) Data Protection	To review implementation of Data Protection Act 1984 with special ref. to impact of registration requirements on users.	Consultations complete. Report in preparation.	Data Protection Registrar has consulted extensively.	Not yet quantifiable.

<u>Review</u>	<u>Main Purpose</u>	<u>Progress/Outcome</u>	<u>Consultations with business</u>	<u>Savings/Benefits to business</u>
<u>DTP</u>				
20) Passenger & Goods Vehicle Operator Licensing	To consider scope for reducing licensing requirements on goods and passenger vehicle operators.	Initial review completed and results of consultations will be put to ministers in November.	Relevant Trade Associations, individual operators, LAs, NFU, Civil Trust Transport 2000.	Reduction in the financial burden on operators.
<hr/>				
<u>EDU</u>				
21) Business Licensing	To review the administration of business licences required by Central Government Departments.	EDU has gathered information from Depts and is evaluating and comparing systems and practices.	Widespread consultation to be undertaken when options for change have been identified.	Reduced compliance costs for business; speedier procedures.
22) Fire & Building Regulations	To review overlap and implementation of fire & building control regulations.	Consultants report received. Report to ministers in preparation.	Widespread consultations completed.	Clearer simpler and more effective procedures.

EDU 1989

TOPICS FOR THE SECOND ROUND OF DEREGULATION REVIEWS

Items put forward by Departments since the July report to the Prime Minister are identified *

C&E

(i) Industrial oils reliefs; and

(ii) Methylated spirits reliefs

Review the burden placed on businesses by current administrative procedures, and consider whether the records required to be kept by users can be simplified.

(iii) Production and dissemination of information to the trade and public *

Review will include the provision of VAT advice to business and the effectiveness of communications with new business.

DH

Review of CAPRICODE guidance

Review the procedures governing accountability in the NHS Building Programme (CAPRICODE) to ensure that no unnecessary restrictions are placed on the construction industry.

DOE

General Development Order

Review the scope for further simplifications:

- a) in relation to uses of open land and existing buildings in the countryside; and
- b) in relation to non-domestic property.

DSS

Service to business in the new National Insurance Contributions Unit.

Review 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.

DTI

(i) Company law exemptions for private companies

Review the provisions for their impact on non-public companies.

(ii) Regulations made under Part II of the Consumer Protection Act 1987

Review the need for regulations in the light of the development of industry standards.

(iii) CB radio licensing

Review various options for improving the present system of CB licensing.

(iv) Fixed-link radio user access system

Introduce a user accessible database for radio fixed links.

DTp

Type approval procedures for equipment on merchant ships.

Review scope for changing procedures in order to reduce costs to UK ship-owners.

HO

Betting-shop hours of opening

Consider an extension of the permitted opening hours beyond the existing statutory closing time.

HSC	Strategy for negotiating EC health and safety Directives
	Assess general lessons for present and future regulatory policy based on experience of negotiating EC health and safety Directives.
IR	P11D's
	Review the P11D form and procedures with a view to reducing the burden they impose on employers.
SO	(i) The Civic Government (Scotland) Act 1982. *
	Review the working of the Act, with particular reference to the scope for reducing inconsistencies in optional business licensing powers of local authorities.
	(ii) Registration and inspection of independent schools in Scotland.*
	Review procedures to assess whether the system is burdensome for school proprietors and what scope exists for simplification.
MAFF	Proposals awaited.
DE	Proposals awaited.
DEn	No proposals offered for this round.
NIO	No proposals offered for this round.
OMCS	No proposals offered for this round.
WO	No proposals offered for this round.

WIDER REVIEWS(1) SIMPLIFYING THE IMPACT OF REGULATORY OBLIGATIONS ON NEW AND GROWING BUSINESSES

Starting and building a business still requires an individual entrepreneur to be aware of and respond to a multitude of requirements from government (both central and local). With the aid of specific case studies we should build up a picture of these obligations, as experienced by individual businesses, to evaluate their significance and to identify ways of reducing their impact.

The case studies I have so far selected would cover the following:-

1. Onshore oil exploration
2. Filling stations
3. Food manufacturing, retailing and catering, including small-scale egg production and retailing
4. Clothing and textiles
5. Health care
6. Financial and professional services
7. Building and construction
8. Engineering.

They will consist of short sharp studies drawing on the actual experience of entrepreneurs in the field.

(2) REDUCING COMPLIANCE COSTS:(A) Tax Requirements - administrative simplification

In the White Paper 'Releasing Enterprise' of November 1988 (Cm 512) Customs and Excise and Inland Revenue both committed

themselves to place the minimum requirements on business. The White Paper also reported that the Revenue Departments were cooperating in a major study, by Professor Sandford and the Centre for Fiscal Studies at Bath University, of the administrative and compliance costs of the entire UK tax system. It was promised that "the Government will study carefully Professor Sandford's latest findings when these are published".

Professor Sandford's work is now complete and points to compliance costs for business amounting to some £1.75 billion a year and that these fall disproportionately on small firms. As part of the commitment to follow up Professor Sandford's work, officials from the departments concerned should consider his proposals for reducing compliance costs for small and medium sized firms as far as tax administration is concerned. Officials should report back to Ministers on the scope for follow-up action.

(B) Company Law Requirements

Present disclosure requirements for small companies are still too onerous. Modified accounts may be filed but this is of little value as full accounts have to be prepared for shareholders. From the point of view of the regulation of company affairs, there is considerable scope for reducing the information in accounts but the Inland Revenue also rely on these accounts, and alternative arrangements for companies would be needed to meet such requirements. Officials should consider whether or not various alternative proposals would be deregulatory and in practice of benefit to small companies.

In addition, the cumulative requirements of the Companies Act continue to impose significant burdens on small companies. Officials should identify methods of reducing these, including, if appropriate, a new form of incorporation.

(3) REDUCING BARRIERS TO THE DEVELOPMENT OF THE FLEXIBLE WORKFORCE

The flexible workforce of nearly 8 million (part-timers, self-employed, and temporary workers) now forms about one third of the total. Demographic change and the growth of design, craft, consultancy and data processing occupations (which can often be based at home) point to the need for maximum flexibility in the administration of controls covering tax, social security, employment status and the use of residential property. Officials should weigh up the relevant factors and assess whether deregulatory moves are desirable. They should also assess the value of commissioning an introductory guide for those contemplating flexible forms of work.

(4) SPEEDING UP AND SIMPLIFYING THE EXTENSIVE RANGE OF BUSINESS LICENSING SYSTEMS

Where the current review of the administration of business licensing reveals scope for streamlining systems and procedures and cutting down on the extensive range of licensing requirements, departments will be pressed to take action.

Even with this drive towards simplification, new and developing businesses will still face a mass of licensing requirements (because of the need to safeguard health and safety, professional and trading standards and honest business practice). They need some way of identifying quickly which licences they must have and how to obtain them. Using the information gathered in the current review and building on experience with systems operating in Australia, officials should examine the feasibility of a cross-departmental database to meet this need.

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"Releasing Enterprise"

Question: To ask the Secretary of State for Trade and Industry, what progress has been made under the rolling programme of deregulation reviews announced on 31 January by the then Parliamentary Under Secretary of State for Corporate Affairs.

Answer: Of the twenty-two reviews announced in January all are complete or nearing completion. They have already 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. Quantifiable savings to business from these completed reviews should exceed £10m pa. Government communications with business have also been improved through the consultations which have taken place, as has the service provided by departments.

Our prime aim remains to remove the time loss and frustration caused to business by out of date or cumbersome requirements. We are therefore bringing forward consideration of a number of wider issues which have an impact particularly on the development of smaller businesses, together with reviews designed to identify regulatory barriers to building new businesses in various sectors.

The full list of new departmental reviews is as follows:-

C & E

(i) Industrial oils reliefs; and

(ii) Methylated spirits reliefs

Review the burden placed on businesses by current administrative procedures, and consider whether the records required to be kept by users can be simplified.

(iii) Production and dissemination of information to the trade and public

Review will include the provision of VAT advice to business and the effectiveness of communications with new business.

DH

Review of CAPRICODE guidance.

Review the procedures governing accountability in the NHS Building Programme (CAPRICODE) to ensure that no unnecessary restrictions are placed on the construction industry.

DOE

General Development Order

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DSS

Service to business in the new National Insurance Contributions Unit.

Review 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.

DTI (i) Company law exemptions for private companies

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Review the need for regulations in the light of the development of industry standards.

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(iv) Fixed-link radio user access system

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DTP Type approval procedures for equipment on merchant ships.

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HO Betting-shop hours of opening

Consider an extension of the permitted opening hours beyond the existing statutory closing time.

HSC Strategy for negotiating EC health and safety Directives

Assess general lessons for present and future regulatory policy based on experience of negotiating EC health and safety Directives.

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P11D's

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SO

(i) The Civic Government (Scotland) Act 1982.

Review the working of the Act, with particular reference to the scope for reducing inconsistencies in optional business licensing powers of local authorities.

(ii) Registration and inspection of independent schools in Scotland.

Review procedures to assess whether the system is burdensome for school proprietors and what scope exists for simplification.

EDU

Faster and simpler business licensing

Review feasibility of developing a cross-departmental public database to enable business to identify quickly and clearly requirements to be met.

Got back
Rayner



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THE DEPARTMENT
OF TRANSPORT



FROM THE SECRETARY OF STATE

2 MARSHAM STREET LONDON SW1P 3EB
TELEPHONE 01-276 3001

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

My Ref:

Your Ref:

12 DEC 1989

Dear Norman,

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES:
DRAFT WHITE PAPER

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Thank you for letting me have a copy of your letter of 4 December to Douglas Hurd covering the draft White Paper on the Financing and Accountability of Next Steps Agencies. This is a matter of very considerable interest to the Department of Transport in that we have the first Executive Agency to be established (the Vehicle Inspectorate EA) and three more (Driver and Vehicle Licensing Agency; Driving Standards Agency; and Vehicle Certification Agency) due to attain Agency status from 1 April next.

I very much welcome this White Paper as a further extension of the impetus towards greater efficiency and effectiveness in the delivery of services which is inherent in the Next Steps enterprise; I am happy to support its broad thrust.

As you say in your letter to Douglas, there remain a number of issues, including of course those dealing with the treatment of running costs in Chapter 3, which will need to be the subject of further consultation between officials. As you will know, there has already been some discussions between our respective people and I look forward to these being satisfactorily concluded.

I am sending copies of this letter, as you did yours, to the Prime Minister, other Cabinet members, Patrick Mayhew, Lord Cameron, Richard Luce, and Lynda Chalker; and to Sir Robin Butler, Sir Angus Fraser and Mr Peter Kemp.

[Handwritten signature] *[Handwritten signature]*

CECIL PARKINSON

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PV 32



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QUEEN ANNE'S GATE LONDON SW1H 9AT

12 December 1989

John Norman

THE FINANCING AND ACCOUNTABILITY OF
NEXT STEPS AGENCIES

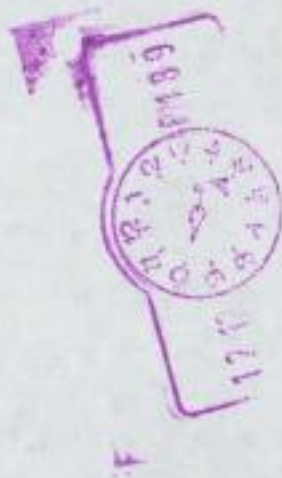
I very much welcome the proposals set out in the draft White Paper attached to your letter of 4 December to Douglas Hurd, and my officials are in contact with yours about the possible development of trading fund regimes in Home Office Next Steps agency candidates. (They have also agreed on a minor change to Annex A of the draft; the majority of the activities of the Forensic Science Service Agency - referred to in Annex A - will be funded by related receipts when it becomes an agency. Our aim to charge police forces directly for the Service within the next three years was announced in the Government's reply to the Home Affairs Committee's inquiry into the Forensic Science Service).

I have copied this letter to the recipients of yours.

John Norman

The Rt Hon Norman Lamont, MP
Chief Secretary
Treasury
Parliament Street
LONDON SW1

Car Wash
August Pt 32





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

CCPA
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Telephone 01-273 5802
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Secretary of State

The Rt Hon Norman Lamont MP
 Chief Secretary
 HM Treasury
 Parliament Street
 LONDON SW1P 3AG

11 DEC 89

Dear Norman,

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES - DRAFT WHITE PAPER

Thank you for sending to me your letter of 4 December to Douglas Hurd and a draft of the White Paper on Next Steps Agencies.

I am content with the draft and with your proposals for publication.

I am copying this letter to the Prime Minister, Douglas Hurd, Richard Luce and to Sir Robin Butler, Sir Angus Fraser and Peter Kemp.

J. Norman Fowler

NORMAN FOWLER



RESTRICTED
 Employment Department Training Agency
 Health and Safety Executive - ACAS

GOVT MACH - Rayne PLSZ.





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

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N/S/M

From the Secretary of State for Social Security

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London
SW1



11th December 1989

Norman

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**THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES:
DRAFT WHITE PAPER**

I have seen your letter of 4 December to Douglas Hurd, and am grateful for the opportunity to comment. In general, I welcome the document you enclosed as a helpful clarification of current intentions for Next Steps agencies. I know that there has, as you say, been a good deal of discussion between officials and that minor changes are still being made to the text to accommodate particular concerns.

The only caveat I would enter is that any document published at this stage cannot be regarded as definitive for the foreseeable future. As you know, our officials are still discussing the arrangements for setting up our major DSS agencies, and I would not want the outcome to be pre-empted by anything that is published now. We are bound to uncover further possibilities and requirements as Next Steps agencies develop, and we should be prepared to be flexible in responding to them.

I am copying this letter to the Prime Minister and other Cabinet members, Patrick Mayhew, Lord Camerson, Richard Luce and Linda Chalker; and to Sir Robin Butler, Sir Angus Fraser and Peter Kemp.

aw.
Tony

TONY NEWTON



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2 MARSHAM STREET
LONDON SW1P 3EB
01-276 1000

My ref:
Your ref:

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1

Prime Minister
Prime Minister

MS
8/12

5 December 1989

Dear Chief Secretary,

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES: DRAFT WHITE PAPER

Thank you for sending me a copy of the draft White Paper. I welcome the proposals to extend the range of agencies which will qualify for trading fund status and I hope that some of my Department's agencies will benefit from this change in due course.

As you state in your letter, our officials have been considering the detailed arrangements for applying the wider definition of running costs. I am content with the draft as it stands. But I will be looking for reassurance, as the official-level discussions proceed, that the arrangements will not be applied in such a way as to undermine the discretion of Chief Executives to manage their agencies in a sound commercial manner or place unacceptable burdens on my Department's administrative resource budget.

I am copying this letter to the Prime Minister and other Cabinet members, Patrick Mayhew, Lord Cameron, Richard Luce and Lynda Chalker and to Sir Robin Butler, Sir Angus Fraser and Mr Peter Kemp.

Yours sincerely,

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Chris Patten
CHRIS PATTEN

(Approved by the Secretary of State
and Signed in his Absence)



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NEXT STEPS

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 December 1989

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES:
DRAFT WHITE PAPER

The Prime Minister has seen a copy of the Chief Secretary's letter of 4 December to the Foreign and Commonwealth Secretary attaching the draft white paper on financing and accountability of Next Steps Agencies.

She is content with the terms of the White Paper subject to the views of colleagues. She welcomes the positive contribution it will make to producing financial regimes and methods of accountability for Agencies which will help to increase their efficiency and quality of service, whilst maintaining necessary Ministerial and Parliamentary controls.

I am copying this letter to the Private Secretaries to the other members of Cabinet, Juliet Wheldon (Law Officers' Department), Martin Le Jeune (Office of Arts and Libraries), Myles Wickstead (Overseas Development Administration), Sonia Phippard (Cabinet Office), Sir Angus Fraser and to Peter Kemp (Cabinet office).

CAROLINE SLOCOCK

Miss Carys Evans,
Chief Secretary's Office.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

6 December 1989

Dear Don,

PRIME MINISTER'S VFM SEMINARS: 1990 PROGRAMME

The Prime Minister has considered your minute to me of 29 November in which you suggested nine possibilities and invited her to select six or seven. Her reaction was to go for a slightly smaller programme of around five.

She doubts whether a seminar for the Department of Energy is necessary as the next major decision, to be taken after the election, is whether it should remain in existence as a separate department.

Inland Revenue is an example of a well run department. In commenting on Sir Angus Fraser's annual report on the work of the Unit, the Prime Minister said she wished to concentrate the seminars on the "weaker brethren".

The Home Office was tackled only a few months ago and some procurement issues came up at the MOD seminar in June. This indicates that these two should be left to the start of 1991.

This leaves for 1990:

- Employment
- PSA
- Environment
- Transport
- DTI

I suggest that we try to take the first three before the summer break and the last two in the autumn. Amanda Ponsonby is now trying to set up dates.

I am copying this minute to Sonia Phippard in Sir Robin Butler's Office.

*Yours sincerely
Andrew Turnbull*

(ANDREW TURNBULL)

Don Brereton, Esq.
Efficiency Unit.

LS



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27

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 December 1989

Bill
Further to our conversation last week I am writing to confirm that the new date for the Prime Minister's seminar on Value for Money in the Ministry of Agriculture, Fisheries and Food is Wednesday 20 December. The meeting will begin at 1545 and should last until 1700.

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.

PRIME MINISTER

DRAFT WHITE PAPER ON THE FINANCING AND ACCOUNTING OF NEXT STEPS
AGENCIES

I attach a draft White Paper from the Treasury which is to be jointly presented by Mr Lamont and Mr Luce. Peter Kemp has been closely involved in producing it.

I do not suggest you plough through it: some of its key points are noted below.

The Paper sets out the thinking behind the new legislation to enable certain Next Steps Agencies to become trading funds. As trading funds, Agencies can become more or less self-financing, using their income from receipts to meet their costs. The new legislation would allow Companies House, for example, to become a trading fund provided it met certain criteria. The White Paper sets out these out, together with the controls under which they will operate.

It also sets out more flexible financial arrangements which other Agencies - which do not cover all their costs by fees - might use to achieve better results and greater value for money whilst ensuring effective monitoring of civil service running costs overall. Technical changes are proposed which would make it possible for Parliament to keep full track of civil service running costs whilst allowing agencies to use what receipts they generate to cover some of those costs.

Other changes set out include ones which would enable greater viring of funds between budget subheads - where this is justified and can be properly controlled by the Treasury.

The draft White Paper strikes me (as someone who used to work on Next Steps) as valuable and positive; and I am sure it will be welcomed by the new Agencies.

Are you content to endorse the terms of the White Paper and to welcome the positive contribution it will make:

- to producing financial regimes and methods of accountability for Agencies which will help to increase their efficiency and quality of service:

- whilst maintaining effective Ministerial and Parliamentary control?

CS

Caroline Slocock

5 December 1989

Yes

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Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign Affairs
Foreign & Commonwealth Office
King Charles Street
London
SW1A 2AH

4 December 1989

Dear Douglas

**THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES:
DRAFT WHITE PAPER**

As you know, we are legislating this Session to extend powers, originally taken in 1973, under which the Government can set up trading funds. The policy was agreed earlier this year, and the Bill will very shortly be considered by Legislation Committee with a view to introduction in mid-December.

2. In announcing our intention to legislate, we also said that the trading fund Bill would be accompanied by a White Paper explaining its main provisions and giving a wider account of the financial arrangements for Next Steps Agencies and their accountability within Government and to Parliament.

3. I attach the draft White Paper, on which there has been consultation between officials. You will see that I intend to present it jointly with Richard Luce, who is content.

4. The main objectives of the White Paper are to explain how financial management within Government, and its interaction with the Supply process through which Parliament controls expenditure, are being made more flexible so that they will better reflect the aims of the Next Steps initiative and other financial management reforms. Inevitably, therefore, some of the material is rather technical. But Next Steps has generally attracted attention and we expect the White Paper to generate a good deal of interest when published alongside the Trading Fund legislation, particularly in the Treasury and Civil Service Select Committee, the Public Accounts Committee, and, in due course, other Select Committees when they turn their attention to individual Next Steps Agencies.

5. After two short introductory chapters, Chapter 3 describes the arrangements for managing the finance of those Agencies which will remain fully within normal Parliamentary Supply; and includes a broad statement of intention to make the running costs

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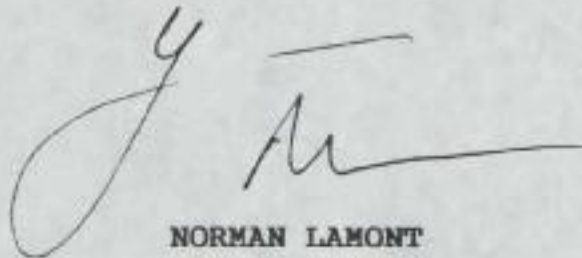
system more adaptable to parts of the Civil Service which generate receipts. These aims are expressed without prejudice to the detailed arrangements within Government for managing running costs on this wider definition, on which there will be further consultation between officials.

6. The main purpose of Chapter 4 is to explain why we want wider trading fund powers, and how we intend to use them. This should be helpful in proceedings on the forthcoming Bill.

7. Chapter 5 explains the arrangements for Next Steps Agencies' reports and accounting to Parliament. These will be more demanding, as regards both financial and quality of service performance, than has been generally required of the Civil Service in the past, though there will be some scope for flexibility over the detailed accounting obligations of individual Agencies.

8. Since we are aiming to issue the White Paper when the Trading Fund Bill is introduced - perhaps in the second half of the week beginning 11 December - I would be most grateful for any comments on the draft White Paper by the end of this week if possible.

Fraser
9. I am sending copies of this letter and its enclosure to the Prime Minister and other Cabinet members, Patrick Mayhew, Lord Cameron, Richard Luce, and Linda Chalker; and to Sir Robin Butler, Sir Angus Fraser, and Mr Peter Kemp.



NORMAN LAMONT

Kind Advocate

RESTRICTED UNTIL PUBLICATION

DRAFT WHITE PAPER

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES

Presented by the Chief Secretary to the Treasury
in association with the Minister of State, Privy Council Office

THE FINANCING AND ACCOUNTABILITY OF NEXT STEPS AGENCIES

1. INTRODUCTION

1.1. In 1988 the Government launched a major initiative in Civil Service management in response to the Efficiency Unit report "Improving Management in Government: the Next Steps".

1.2. The financing and accountability of "Next Steps" Executive Agencies, described in this White Paper, will be central to the main purpose of the Government's initiative - to improve their efficiency and quality of service.

1.3. The White Paper is published in association with the Government Trading Bill, which proposes an extension of powers to use trading funds to finance central government activities. It thus explains the purposes of the legislation, in the wider context of the financial arrangements for Agencies generally. Although the majority of the Civil Service will continue to be financed through the full processes of Parliamentary supply, the extended powers would significantly enhance the prospect of improving management in operations which become trading funds.

1.4. Effective management of Agencies will demand better, more timely and more comprehensive information on all aspects of business performance. This information will be used to improve stewardship reporting by Agencies within Government to their responsible Ministers and externally to Parliament and the wider public.

1.5. Agency financial regimes will develop and improve as time passes because Next Steps is an evolving initiative. The White Paper describes policy and present practice in its main sections, as follows:-

Section 2: Next Steps and Agencies

Section 3: Agency finance and Parliamentary Supply

Section 4: Trading funds

Section 5: Accountability to Parliament

Section 6 Conclusion

2. NEXT STEPS AND AGENCIES

The Next Steps Initiative

2.1. In February 1988, the Prime Minister announced that the Government had accepted the main recommendations of the report by the Efficiency Unit entitled "Improving Management in Government: The Next Steps." To the greatest extent practicable, the executive functions of Government, as distinct from policy advice, would be carried out by clearly designated units, referred to as Agencies.

2.2. The main aim of the Next Steps initiative is to deliver services more efficiently and effectively, within available resources, for the benefit of taxpayers, customers and staff. Agencies thus represent a new and distinctive development in the Government's policies for improving all aspects of Civil Service management. Comments on the initiative, including the reports from the Committee of Public Accounts and the Treasury and Civil Service Committee, have been supportive.

2.3. Next Steps recognises that efficiency in managing the huge variety of Civil Service tasks cannot be achieved by a single Government-wide method. The managerial structure of Agencies needs to be tailored to suit individual "businesses". Certain key standards, particularly those affecting financial propriety and regularity, must be sustained; but where matters of managerial judgement rather than propriety are involved flexibility may often be desirable. The purpose is not for change for change's sake nor the replacement of old uniformities with new ones. Departments and Agency managers will need carefully to identify the objectives and potential of each Agency so that its arrangements will lead to improved performance and closer identification by staff with their own operational unit and its objectives.

2.4. The Government is now implementing the progressive programme for establishing Agencies that the Prime Minister announced. At

1 December 1989, the Government has established 10 Agencies employing some 8,000 staff. A further [38] services and functions, employing some [172,000] staff have been identified as firm candidates for Agency status excluding 3 Northern Ireland candidates.* The current list of Agencies and announced candidates at Annex A illustrates the diversity of Agencies - in the nature of the service they provide, the type of customer they serve, and in size. As the Next Steps initiative continues, further developments, including more candidates, will be announced.

2.5. The Next Steps Project Manager in the Office of the Minister for the Civil Service is responsible for planning and managing the process of change and for ensuring that obstacles to progress are identified and tackled. His tasks include developing with Departments a progressive programme for establishing Agencies and applying the lessons of the experience gained. He is answerable through the Head of the Home Civil Service to the Prime Minister.

Setting Up Agencies

2.6. Before any Agency is established, the need for the activity is reviewed, and alternative options, including contracting out the work and privatisation, will be examined. Next Steps is primarily about those operations which are to remain within Government. But it cannot be ruled out that after a period of years Agencies, like other government activities, may be suitable for privatisation. Where there is a firm intention of privatisation when an Agency is being set up, this will be made clear.

2.7. The process of establishing Agencies has been described fully elsewhere, for example in evidence from the Project Manager and the Treasury to enquiries by a sub-committee of the Treasury

* Although this White Paper refers mainly to the Civil Service, members of the Armed Forces will also work in (and sometimes be Chief Executive of) the Defence Support Agencies announced by the Secretary of State on 18 October 1989.

and Civil Service Select Committee in 1988 and 1989 and in a 1989 report by the Committee of Public Accounts.* The process involves the clarification of the managerial role of the Agency and its separation from the policy role of the responsible Minister and supporting officials. It concentrates on the role of the Minister and his department as 'owner' and where appropriate customer of the Agency; on defining the Agency's main objectives and the type of performance targets and improvements to which it will be committed; on the powers, flexibilities and accountability of the Chief Executive; and on the Agency's regimes for financial and personnel management.

2.8. The outcome is set out in Framework Documents normally made available to Parliament and published more widely. These documents recognise the diversity of Agencies in the way that each is structured and managed, and the degree of management freedom necessary to enable each Agency to meet its performance targets. The more sophisticated an Agency's internal management arrangements, the greater the scope for delegation. The Framework Document provides the basis both for the Agency's relations with its Minister and department and for its financial and performance accountability to the Minister and to Parliament.

* Eighth Report from the Treasury and Civil Service Committee, Session 1987-88, HC 494
Fifth Report from the Treasury and Civil Service Committee, Session 1988-89, HC 348
Thirty-eighth Report from the Committee of Public Accounts, Session 1988-89, HC 420

3. AGENCY FINANCE AND PARLIAMENTARY SUPPLY

Financial Regimes

3.1. Government finance for all agencies will be authorised and controlled by Parliament.

3.2. Within this overall requirement, the financial regimes of individual Agencies are tailored to their circumstances. Fundamental issues are whether their expenditure is provided, controlled and accounted for comprehensively through normal Supply procedures, or mainly through a trading fund; and how their arrangements relate to the control of Civil Service running costs. This chapter describes the arrangements for Agencies fully within Parliamentary Supply. The following section deals with trading funds.

Vote Accounting

3.3. Most Agency expenditure will continue to be governed comprehensively by Vote accounting arrangements, under which Parliament authorises expenditure by voting Supply Estimates each year. Changes to the original Estimate, for example to increase cash totals or to authorise spending on purposes not originally covered, require further Parliamentary approval by means of Revised or Supplementary Estimates. At the end of the year, cash accounts to Parliament (the Appropriation Accounts) are rendered against the Estimate. The Accounts are audited by the Comptroller and Auditor General and may be examined by the Committee of Public Accounts.

3.4. Receipts (for example from fees or charges received for services provided) are normally either surrendered to the

Consolidated Fund, or appropriated in aid of the Vote. Appropriations in aid require Parliamentary authority through an Estimate.

3.5. Most expenditure (current and capital) provided for in the Supply Estimates is controlled by cash limits, which are limits on the actual amount of cash that can be spent in any one year. Cash limits on Voted expenditure are based on, and aligned with, Estimates. Any decision to change cash limits is announced as soon as possible after it is taken, usually by way of a written Parliamentary answer. But the presumption is that, once a cash limit is set, it will not normally be changed. Cash limits therefore provide a clear incentive both to expenditure control and to improving management efficiency. They have been successful on both counts, and the Government's policy is to extend the coverage of cash limits as far as possible.

Civil Service Running Costs

3.6. Within cash limits, expenditure on departmental administration (broadly representing spending on the Civil Service) is identified through departmental running cost totals. Such expenditure is generally controlled gross, ie receipts cannot be used to increase related spending. However, in some cases where costs are recovered through related charges, other control mechanisms involving performance targets and adequate pressures for efficiency improvements may have been agreed. In these cases, the bodies have been exempted from gross control, although their net expenditure remains subject to normal cash limits.

3.7. Details of the expenditure thus exempted from gross running costs control have been given in the 1987 and successive Public Expenditure White Papers. The performance and management control criteria for these exemptions overlap to a considerable degree with those required of Next Steps Agencies, and of the 11 units of work so far thus exempted over half are now Agencies or Agency candidates. As the Next Steps initiative progresses, the

Government expects that over time the proportion of expenditure exempt from departmental gross running costs limits will tend to rise.

3.8. If running costs continue to be defined as departmental administrative expenditure which the Government controls gross, this development will mean that an increasing proportion of such expenditure will not be recorded within running costs totals. Accordingly, the Government intends to adapt the definition of running costs so as to provide comprehensive reports to Parliament on spending for departmental administration. To achieve this, from 1991-92 onwards, running costs will continue to be defined as covering current expenditure which is, broadly, on the administration of central Government departments, but will no longer be confined to expenditure which is controlled gross. Within running costs the Government will set limits on either gross or net expenditure for particular units, as most fitted.

3.9. This change has two advantages. First it will make it possible to identify an overall envelope reporting all expenditure on departmental administration. Second, within the overall envelope, the actual management of the expenditure will be more flexible. Where major management change is occurring in units that could most sensibly be financed through receipts, it will be possible to tailor the control arrangements more closely to fit their needs. Parliament will continue to be informed as now of the nature and extent of the limits on such expenditure which the Government will be applying each year for each department.

3.10. The Government also intends to identify more clearly than in the past capital expenditure in support of departmental administration, so that, as with other major public services, Parliament will be able to know the totality of the resources used for departmental administration.

In-year Flexibility

3.11. The principles of Parliamentary control of Government spending require Parliamentary authority, through a Supplementary Estimate, before provision on one Vote may be reallocated to another.

3.12. However, provision may be reallocated between different subheads within the same Vote - a process known as "virement" - with the approval of the Treasury. In considering requests for virement the Treasury always has in mind the need to avoid infringing Parliament's control of expenditure and may refuse a Department's request if, for example, expenditure would be on a new service to which Parliament has not yet given approval. If the Treasury is not prepared to agree to virement the department needs to seek Parliamentary approval by means of a Supplementary Estimate to reallocate expenditure between subheads.

3.13. The separation of provision between different Votes or different parts of a Vote generally reflects different kinds of expenditure or different expenditure objectives. However in some cases the borderline may be less clear - for example where it may not be feasible to predict in advance and in full detail whether a particular service or policy objective is best delivered by spending through one channel rather than another, for example through a running costs subhead or a closely related programme subhead.

3.14. In such cases, where the efficiency of in-year resource management would benefit, the Treasury will be willing to define in advance the conditions in which a department and its Agency might expect Treasury support for a Supplementary Estimate to reallocate provision between Votes; or Treasury agreement to virement between subheads (including into running costs subheads) within the same Vote. The Agency management will thus know where it stands and can be confident of the parameters of flexibility within which it can manage its overall resources.

3.15. However, the Treasury will reach such understandings only where it is clear that they imply no departure from the underlying objectives of the original Vote or subhead, and the amounts concerned are marginal relative to the size of the recipient subhead. The Treasury will not reach any advance understandings over, nor use its powers of virement in relation to, reallocation from programme into running costs subheads where the underlying objective of the provision as originally voted requires it to be spent outside Government departments - for example, on social security benefits or grants to industry; or on public services other than the Civil Service such as the National Health Service.

3.16. In cases not subject to the limited and defined understandings described in paragraph 3.14, the present policy of presenting an Excess Vote in the event of a running costs limit being exceeded will continue.

3.17. In a similar spirit, the Treasury will also be willing to define in advance the circumstances in which Departments and their Agencies can expect Treasury agreement to Supplementary Estimates to increase expenditure in line with receipts - for example where these are larger than was anticipated in the original Estimates; or to provide for services for which payments were received in the previous financial year.

End-year flexibility

3.18. An end-year flexibility scheme for central government capital expenditure was introduced in 1983. Subject to certain criteria, it enables departments to carry forward to the following year underspends of up to 5 per cent of their capital provision. Last year, a new end-year flexibility scheme was introduced to enable qualifying departments to carry forward underspends of up to 0.5 per cent of running costs provision under gross control. These arrangements allow a more flexible approach to the normal annual control of public expenditure, while maintaining the principle of annual Parliamentary control of Supply; surplus money

must still be surrendered at the end of the year, and the carry forward must be Voted the following year in Supplementary Estimates.

Impact on Agency financial management

3.19. The general framework for providing and managing Civil Service resources described above will thus give a range of choices. These include:

- whether an Agency's running costs current expenditure is allocated and monitored gross or net, ie whether or not relevant receipts influence or determine the amount it can spend
- scope for agreement on the conditions in which the Treasury will be willing to support Supplementary Estimates or approve virement to maximise the effectiveness of in-year resource management
- end-year carry-forward provisions where appropriate.

3.20. In addition Agencies are securing a range of delegations and flexibilities from their departments on other financial and expenditure matters. Experience so far shows that this is where the major initial impact has been, since departments already have substantial delegations of financial authority from the Treasury. The strengthening of management within Agencies which is an integral part of the Next Steps approach has given the parent department the confidence to pass on many delegations to Agencies where this offers improved value for money. These flexibilities have included greater freedom to commit expenditure on an Agency's own responsibility and within its own allocation; in switching between current and capital expenditure; and in carrying forward underspent provision from one year to the next. For example, the Vehicle Inspectorate is free to switch between current and capital expenditure on all but a small element of their total budget, and Companies House can carry forward up to 25% of its capital

expenditure budget from one year to the next. Any resulting increases in overall annual provision are met in both cases by the parent Department's capital expenditure programme or from other parts of its cash limited votes.

3.21. The choices made case by case vis-a-vis individual Agencies will depend on the nature of their business and the most suitable means of improving performance as they develop in their new status.

Information to Parliament

3.22. The Government will keep the Committee of Public Accounts and the Treasury and Civil Service Committee in touch with developments; and will periodically inform the Committee of Public Accounts of the scale and circumstances in which advance understandings over the Treasury's approval of virement between subheads occurs.

4. TRADING FUNDS

Trading Funds

4.1. Through the Government Trading Funds Act 1973, Parliament enabled the Government to finance some activities through funds which are for most purposes outside normal Parliamentary Supply.

4.2. A 'trading fund' provides a financing framework which covers operating costs and receipts, capital expenditure, borrowing and net cash flow. It has powers to borrow to meet capital expenditure and working capital requirements, and to establish reserves out of surpluses. Within this framework, it can meet outgoings without detailed cash flows passing through Vote accounting arrangements.

4.3. Parliamentary control is retained through:

- the affirmative Order establishing each fund
- the scrutiny of statutory annual reports and accounts, and the power to examine the fund Accounting Officer.

4.4. Trading funds offer, in suitable cases, both independence of detailed control and clear accountability for results and value for money. With Next Steps and other financial management changes, the Government expects that a larger number of activities will in future be judged likely to benefit from this combination than in the past.

The Government Trading Funds Act 1973

4.5. The 1973 Act provides powers to establish trading funds for those bodies named in the Act* or for any other service which consists of or includes trading operations or operations in the nature of trading where this appears to the responsible Minister expedient in the interests of improved commercial operation and public accountability. Because a fund's detailed cash flow is removed from normal Parliamentary supply controls, Parliamentary approval is required, by affirmative resolution order, to the setting up of each fund and the overall limit on its borrowing. Parliamentary authorisation is required for Voted payments by departments to funds (including any payments for goods or services obtained from a fund); and for lending to funds, which will continue to be from government sources.

4.6. Under the 1973 Act the accounts of a trading fund are audited by the Comptroller and Auditor General, who is required to lay them before Parliament together with his report. They are then published as a House of Commons Paper. This provides the basis for Parliament to consider the performance of the fund against its financial and other performance targets.

4.7. The 1973 Act also contains more detailed provisions, relating to the capital debt and assets of trading funds and their borrowing powers. For example, it enables funds to borrow from the National Loans Fund (but not from departmental Votes), and sets a global limit on the total of such loans that may be outstanding to funds at any one time.

* the Royal Ordnance Factories
the Royal Dockyards
the Royal Mint
Her Majesty's Stationery Office
the Crown Suppliers

Powers to Create Trading Funds

4.8. The trading funds operating at present under the 1973 Act are HMSO, the Royal Mint and the Crown Suppliers*. Subject to Parliamentary approval of the necessary Affirmative Resolution orders, further trading funds can be created for activities which are 'trading or in the nature of trading'.

4.9. However a number of Agencies which could potentially benefit from a trading fund regime are currently outside the 1973 Act powers. These include, in particular, some Agencies such as the Vehicle Inspectorate resourced from public receipts for goods or services but performing a statutory and monopoly service for which the fees are fixed by or under Statute.

4.10. The government has already informed Parliament* that a number of these Agencies or potential Agencies would be able to provide a more efficient and effective service under the more commercial disciplines of a trading fund, and of its intention to legislate at the earliest opportunity to extend the 1973 Act powers accordingly. The Government Trading Bill, now introduced, provides the wider powers judged desirable.

Scope of the new powers

4.11. In preparing the Bill, the Government has examined carefully the scope and meaning of the present powers. The considered legal advice available to the Treasury is that the 'trading or in the nature of trading' provision of the 1973 Act is too imprecise in its meaning, and too unreliable in its application, to be retained safely in the legislation.

* The Crown Suppliers will cease to be a trading fund if Parliament enacts the Property Services Agency and Crown Suppliers Bill.

* Hansard, 1 February 1989, col. 228

4.12. The Government therefore proposes to substitute a wider enabling power for a Minister, with the concurrence of the Treasury, to establish a trading fund where:

- operations are suitable to be financed by a fund, and in particular the revenue of the fund would consist principally of receipts in respect of goods or services provided in the course of those operations, and
- it would be in the interests of improved management efficiency and effectiveness.

These powers could only be exercised if Parliament approved the necessary affirmative resolution order in each case.

4.13. If Parliament enacts these extended powers the Act as amended would allow the Government to establish a trading fund for any suitable body, including any Agency, all or most of whose income will derive from receipts for:

- internal supply transactions (where the customers are other parts of central government), or trading transactions in external markets (where the customers are other parts of the public sector or the private sector), or both
- other services to users outside Government financed directly by receipts from charges, even where these services and charges have a statutory basis.

Her Majesty's Stationery Office is an example of the first category, and the Vehicle Inspectorate, which provides a public regulatory service, is a potential example of the second.

4.14. The powers extend only to bodies which generate receipts in respect of the goods or services provided. Where there are no such receipts the powers could not be used. The effect is to exclude areas of Government where the payment is not directly related to the provision of the goods or services, or where such payments constitute less than half of the body's income. Thus for example the administration of social security benefits and of tax assessment and collection are outside the powers. For the Civil Service as a whole, less than one-fifth of its running costs generate direct receipts so most of its operations are for that reason outside the scope of proposed powers.

Use of the new trading fund powers

4.15. For activities within their scope, the powers will be enabling. This means that, within the legal limits set by Parliament, the Government will make a judgement of suitability before putting before Parliament an Order creating a trading fund.

4.16. The first criterion for assessing suitability is whether, as a matter of policy, the Government considers that levels of activity and expenditure should vary in line with demand and receipts. For the Government the prospect of income to cover costs does not necessarily justify expansion. Questions about the size of the Civil Service and about priorities in the allocation of capital resources and personnel need also to be considered alongside evidence of customer demand.

4.17. Secondly where the Agency is involved wholly or mainly in providing goods or services to government departments, it will be necessary to establish that there is a genuine separation between the Agency and its customers, and that there is as much competition as is feasible for the supply of the goods or services. The aim will be to stimulate realistic trading relationships, based on full cost charging by supplier to customer for goods or services provided.

4.18. All Agencies will commit themselves to substantial and measurable improvements in performance, in terms of services and their costs. Where the Government decides on a trading fund this important change of financing mechanism is likely to be a central feature in the range of management changes stemming from Agency's creation or development and will itself imply significant benefits in performance.

4.19. The precise circumstances in which these conditions will be met may vary, and judgements will be made in the light of the circumstances and objectives of individual bodies. For example, an intention to make the Vehicle Inspectorate into a fund is already included in its framework document. The various characteristics of the trading fund mechanism - including its link with the "self-management" ethos of Next Steps, the higher financial management skills normally required and in particular the tighter disciplines it provides for the financing and utilisation of capital assets - will be weighed case by case. However, the Government will use the fund mechanism for its internal supply operations only where there is a genuine separation between customer and supplier and there is a commitment to realising in full the potential for competitive supply in any given case. The Government will not use the fund powers for activities most naturally financed through normal internal allocation and the full processes of Vote Accounting.

4.20. Within government, controls on trading funds will concentrate on essential strategic matters. The key elements are:

- financial controls. The key controls relate to the annual - positive or negative - level of external finance (which is the control for public expenditure purposes); overall levels of borrowing; major capital expenditure; the establishment and maintenance of reserves; and the distribution of any surpluses

- the corporate and business planning process, through which the Government will each year settle the Agency's performance and financial targets.

4.21. Charges for goods and services usually already reflect full direct costs, including superannuation, a depreciation charge based on the current value of fixed assets and an interest charge representing the cost of capital (the rate now being 6%). The financial targets for trading funds will be designed so as to increase their efficiency and effectiveness.

Further amendments to the 1973 Act

4.22. As well as extending the Act's main powers, the Bill also clarifies or amends the more detailed provisions. The changes are explained more fully in Annex B. They include ^anew power enabling funds to borrow from their departments' Votes as an alternative to the National Loans Fund. In general, the Government considers that where a fund is part of a Ministerial department, or is executing regulatory policy for which a Minister has statutory responsibility, the departmental Vote will be the preferable source of loan finance because the Minister is thus more directly answerable to Parliament. Other changes clarify the provisions covering capital debt and assets vested in the funds, and winding-up powers; and provide for an increase in the limits on total advances to funds after they are first created.

4.23. The changes proposed in the powers on reports and accounts: these are considered in the following section.

5. ACCOUNTABILITY TO PARLIAMENT

5.1. As the Prime Minister has made clear, Next Steps will involve no diminution in Ministerial accountability to Parliament. Indeed, the creation of Agencies will clarify managerial responsibilities and reinforce accountability to Ministers and to Parliament. This is true both of Agencies which are, or become, trading funds and of Agencies financed through Parliamentary Supply. The enhanced role and accountability of Agency Chief Executives and the introduction of Framework Documents will contribute to this for all Agencies.

5.2. The 1973 Act already provides a demanding reporting and accounting framework for trading funds, which will now be strengthened further. For Agencies within full Vote accounting arrangements, new requirements for reporting and accounting to Parliament will be progressively introduced. All Agencies will be expected to produce their reports and accounts promptly after the end of their financial year. This material will make Agency objectives and performance more open to Parliament and to others with an interest, including customers.

Chief Executives

5.3. A key feature of Next Steps is the personal accountability of Chief Executives to their Ministers for the discharge of their responsibilities as set out in an Agency's Framework Document and the achievement of performance targets. Chief Executives' authority is delegated to them by Ministers who are and will remain accountable to Parliament as a whole (and its Select Committees).

5.4. The Government therefore believes that the general rule must continue to be that civil servants who give evidence to Select Committees do so on behalf of their Ministers. In practice, where a Committee's interest is focused on the day-to-day operations of an Agency, Ministers will normally regard the Chief Executive as

being the person best placed to answer on their behalf. The Chief Executive will be able to inform the Committee how his Agency has performed its responsibilities. Ministers themselves will remain fully accountable for all Government policies.

5.5. Agency Chief Executives will in addition be appointed Accounting Officers or Agency Accounting Officers. The Treasury and Civil Service Committee (TCSC), 8th Report, 1987-88 Session, recommended that the Chief Executive of an Agency should be held accountable as the Accounting Officer for the Agency. Where the Agency has its own Vote, the Treasury will appoint the Chief Executive as Accounting Officer under existing procedures. However in the light of the TCSC's recommendation, and in accordance with the views of the Committee of Public Accounts Committee (PAC), the Government has also accepted that where an Agency does not have its own Vote and remains part of a Government Department financed from one or more Vote sub-heads the departmental Accounting Officer will designate the Chief Executive as Agency Accounting Officer. These arrangements were announced to Parliament by the then Financial Secretary to the Treasury on 10 November 1988. Similarly, where an Agency is a Trading Fund, the 1973 Act requires the Treasury to appoint an Accounting Officer and the policy will be to appoint the Chief Executive.

5.6. The Chief Executive's duties as either Accounting Officer or Agency Accounting Officer will be related to the powers and responsibilities assigned to him in the Agency's framework document. He is liable to be summoned to appear before the PAC to give evidence about the expenditure of his Agency. Where his appointment is that of an Agency Accounting Officer the PAC have indicated that they would probably wish to take evidence both from him and the departmental Accounting Officer. The PAC will similarly have the opportunity, if they find it helpful, to take evidence from the departmental Accounting Officer as well as the Chief Executive when they are examining the affairs of an Agency which is a Trading Fund or which has a separate Vote.

5.7. In all cases where an Agency is part of a department, its Permanent Secretary will remain its official head and the

Minister's principal adviser, and as departmental Accounting Officer will be specifically accountable for the functions assigned to the department (rather than the Agency) in the framework document. In particular, in the case of a Trading Fund, the departmental Accounting Officer will remain accountable for all payments to the Agency from Votes for which he accounts, whether these are loans, grants or payment for goods and services which the Agency supplies to his department. However, the trading fund Accounting officer will be fully accountable for all spending from his fund, and will sign and answer for its accounts.

Framework Documents

5.8. The Framework Document for each Agency is a new and key element in the accountability process. Objectives for units of Civil Service work have existed since the Financial Management Initiative, but they have usually been for internal management purposes. Framework Documents, which are normally made available to Parliament and published more widely, set out explicitly for each Agency its aims and objectives, and the boundaries between policy and service delivery functions. They also describe the monitoring, accountability and reporting patterns between the Agency and the Department, the financial and personnel management flexibilities that the Agency will have, and the Accounting Officer status of the Chief Executive. They are essential to Next Steps, in that they publicly set out the respective roles of Ministers (and the central divisions of their departments) in policy and strategic management and those of Agencies in execution and delivery; to define clearly the tools that each will have and the measures for assessing Agency performance; and to make transparent the resulting accountabilities within Government and to Parliament.

Trading Funds

5.9. The trading fund legislation will continue to impose statutory obligations on all funds, whether created under the existing or the extended powers, to

- prepare full accounts for each financial year; the way a trading fund operates means that these have to be commercial-style accounts
- send the accounts to the Comptroller and Auditor General for audit, laying and publication, with his own report, as House of Commons papers no later than the end of November each year.

5.10. The Bill will require the preparation of annual trading fund reports and the Treasury will have powers to direct their form and content. It is intended that reports should give, for example:-

- the main aims and activities of the Agency
- any background detail essential to understanding the reports and accounts, including the financial objectives which have been set
- a review of the activities over the past financial year and the financial results achieved in terms of the resources (including manpower) allocated to the Agency
- a report of performance against efficiency and quality of service targets over the past year, set against previous trends
- a summary of key targets for the future.

The exact format of reports, and their degree of detail, will be for the responsible Minister and the trading fund to decide in the light of its circumstances and objectives. But all targets will reflect the more demanding performance expected of Next Steps Agencies.

5.11. The 1973 Act already enables the Treasury to direct the form and content of accounts. To put beyond doubt the Treasury's powers to ensure that trading fund accounts presented to

Parliament are comprehensive in coverage and consistent in form and that they will as necessary reflect changing circumstances, the Government has incorporated in the amending Bill a more explicit power enabling the Treasury to direct their content, methods and principles as well as their form.

5.12. The legislation will continue to require the Treasury to appoint an Accounting Officer for each fund. The intention is to appoint the Chief Executive. He or she will thus be fully and directly responsible to the Minister for the general management of the Agency as well as to Parliament for the regularity, efficiency and effectiveness of its expenditure.

5.13. Through these provisions, Parliament will have for each trading fund an annual report, and a set of accounts with a report from the Comptroller and Auditor General. Together these will, relevantly and consistently, describe its financial position and performance.

5.14. In addition to reports and accounts for each individual trading fund, the Government considers that Parliament would welcome a broader periodic report from the Treasury summarising general trends in the use of the trading fund powers and such assessment of their effectiveness as may from time to time be useful. The Treasury will in due course consult the Committee of Public Accounts and the Treasury and Civil Service Committee on this matter, and on questions of timing and coverage. The Treasury would not anticipate preparing such general reports until there were a sufficient number of trading funds to justify doing so.

Agencies under full Vote Accounting

5.15. At present Civil Service expenditure, like all other Voted provision, is brought to account in the Appropriation Accounts. In addition, units which generate significant receipts prepare memorandum trading accounts. These may form the basis of a report to the Committee of Public Accounts where the unit is under

recovering costs, but otherwise - in the large majority of cases - the memorandum trading accounts are for internal management purposes. They are not audited by the Comptroller and Auditor General or published.

5.16. For Supply-financed Agencies, Parliament's primary control over expenditure will continue to be through Estimates and Appropriation accounts. The normal practice will be to supplement these by commercial-style accounts prepared on an accruals basis and including balance sheets. As with Trading Funds, the Treasury intends to ensure that Supply-financed Agencies' accounts are reasonably consistent in coverage and form and meet needs and circumstances as they develop. The Government is therefore taking the opportunity of this legislation to extend the Treasury's powers of direction over Government accounts generally, so that they will include the accounts of all Supply-financed Agencies. The relevant provision is in clause 3 of the present Bill.

5.17. In exercising these powers over accounts, if enacted, the Treasury would reflect the same general intentions as for Trading Fund accounts described in 5.9 above. The aim is to match good practice in quality, timeliness and coverage. However, Supply-financed Agencies will have a greater variety in their circumstances and size and, initially, in the state of their development. For example, some will be financed wholly or mainly from trading or fee receipts, while others will receive their resources through internal Government allocation. The form of accounts suitable for each Agency will need to reflect its characteristics, though suitable reporting of assets and liabilities as well as cash flows will normally be required as soon as the data is robust enough to be auditable.

5.18. These accounts will be audited by the Comptroller and Audit General, laid before Parliament and published with each Agency's annual report. The accounts and reports will increase the transparency of the Agency's financial management and performance record to Parliament and its Committees and more widely. It will also support the Government's general drive towards improved financial management throughout the public services.

6. CONCLUSION

6.1. The changes described in this White Paper, including those represented by the trading fund legislation now before Parliament, reflect the aims of the Next Steps initiative and of continuing Government policy for the improvement of Civil Service management. Their purpose is to enhance the responsibility and answerability of Civil Service managers for the results of their work as well as their internal management discretion.

6.2. The Government is confident that the changes will lead to better service to the public and better containment of the taxpayers' and users' costs. Increased transparency and accountability to Parliament of Civil Service financial management is central to both of these objectives.

NEXT STEPS AGENCIES

<u>Agency (Minister)</u>	<u>Function</u>	<u>Manpower(a)</u>	<u>Total Spend(b) (of which Running Costs)</u>	<u>ANNEX A Majority of activities covered by related receipts?</u>
<u>Established Agencies (in order of launch)</u>				
Vehicle Inspectorate (Secretary of State for Transport)	Tests and certificates the road-worthiness of HGV and PSV vehicles; supervision of MOT testing	1580	37 (32.4)	Yes
Companies House (Secretary of State for Trade and Industry)	Registers companies and collects statutory documents/returns	1170	24 (24)	Yes
HMSO (Chancellor of the Exchequer)	Purchase of general office supplies, print procurement; and provides publishing, printing and reprographic services	3220	377.6 (c)	Yes
National Weights and Measures Laboratory (Secretary of State for Trade and Industry)	Administers weights and measures legislation, esp. the regulation and certification of equipment in use for trade	50	1.8 (1.6)	Yes
Warren Spring Laboratory (Secretary of State for Trade and Industry)	Provides scientific and technical research and advice in the field of environmental technology, esp the control of pollution	300	12 (12)	Yes
Resettlement Agency (Secretary of State for Social Security)	Operates resettlement units for people without settled way of life	540	20.8 (13.2)(d)	No
Civil Service College (Minister for the Civil Service)	Provides a range of training for civil servants and others in management and specialist skills	200	11.1 (9.8)(d)	Yes

a Figures are based on staff in post as at 1 October 1989.

b 1990-91 plans.

c 1990-91 planned sales revenue

d 1989-90 Supply Provision

<p>● I Conference Centre (Secretary of State for the Environment)</p>	<p>Provides fully secure conference facilities of the highest quality for national and international Government and private sector use</p>	60	7.5 (7)	Yes
<p>Historic Royal Palaces (Secretary of State for the Environment)</p>	<p>Runs the five historic Royal palaces (Tower, Hampton Ct, Banqueting Hse Kensington and Kew Palaces</p>	360	18 (5.5)	Yes
<p>Laboratory of the Government Chemist (Secretary of State for Trade and Industry)</p>	<p>Provides analytical, investigatory and advisory services to Govt depts, local authorities and others on environmental protection, public health, consumer protection etc</p>	320	10 (10)	Yes
<p><u>Agency Candidates</u></p>				
<p>Building Research Establishment (Secretary of State for the Environment)</p>	<p>Carries out Research on the structure and soundness of buildings and materials, and on the techniques of construction</p>	660	28 (21)	Yes
<p>CADW (Secretary of State for Wales)</p>	<p>Maintains and promotes historic buildings and monuments in Wales</p>	230	12.8 (3)	No
<p>Central Office of Information (Chancellor of the Exchequer)</p>	<p>Supplies publicity services, materials and advice to Government depts</p>	750	143.7(21.7)(e)	Yes
<p>Central Statistical Office (Chancellor of the Exchequer)</p>	<p>Produces statistics needed for central economic and social policies and management Inc. National Accounts and Trade figures</p>	970	26.9 (21.1)	No

e 1989-90 Supply provision

Central Veterinary Laboratory (Minister of Agriculture)	Carries out veterinary research and development, and hazard surveillance and monitoring	550	14.4 (13.2)	No
Civil Service Commission Recruitment (Minister for the Civil Service)	Provides recruitment and selection service to Govt departments and certain public bodies	300	11.6 (11.5)(f)	No
Civil Service Occupational Health Service (Minister for the Civil Service)	Provides advice and assistance to Govt depts on occupational health needs of civil servants	110	4.0 (3.7) (f)	Yes
Crown Suppliers Fuel Branch (Secretary of State for the Environment)	Provides a bulk fuel purchasing service to Government departments and certain other public bodies	30	Not available	Yes
Defence Accounts Organisation (h) (Secretary of State for Defence)	Carries out MOD's central accounting, bill paying and civilian payroll functions	2150	N/A (g)	No
Defence Research Agency (Secretary of State for Defence)	Provides research and technological advice in support of defence equipment procurement and related matters	11860	N/A (g)	Yes (when Agency)
Department of the Registers of Scotland (Secretary of State for Scotland)	Compiles registers of Scottish legal documents relating to rights in land and a variety of other matters	950	23.5 (22.6)	Yes
Driver and Vehicle Licensing Directorate (Secretary of State for Transport)	Registers and licences drivers and vehicles, and collects Vehicle Excise Duty	5240	157.4 (142)	No

f 1989-90 Supply provision

g Figures not separately identifiable until the current financial structure has been reorganised as part of MOD's New Management Strategy.

h Defence Support Agency of the Ministry of Defence - run on Next Steps principles but remaining within the defence chain of command.

Driving Standards Agency (Secretary of State for Transport)	Testing of drivers and approval of driving instructors	2000	45.5 (44.5)	No
Employment Service (Secretary of State for Employment)	Responsible for Job centres, UBOs, and a number of special programmes such as Restart and ET placements	34410	410.5 (i) (606.5)	Yes
Forensic Science Service (Secretary of State for the Home Department)	Provides scientific resources to assist the police in the investigation and detection of crime, and courts by the provision of expert testimony	560	19 (11)	No
Historic Buildings and Monuments (Secretary of State for Scotland)	Maintains and promotes historic buildings and monuments in Scotland	580	24 (7.5)	No
Hydrographic Office (k) (Secretary of State for Defence)	Produces charts and navigational publications for the Royal Navy and other customers at home and overseas	900 (j)	25 (17)	No
Insolvency Service (Secretary of State for Trade and Industry)	Administers and investigates the affairs of bankrupts and companies in compulsory liquidation, and investigates the conduct of directors in other failures	1390	37 (35)	No
Intervention Board for Agricultural Produce (Agriculture Ministers) EC	Implements market support measures of the Common Agricultural Policy of the EC	830	1296.4 (36.4)	No
Land Registry (Lord Chancellor)	Registers title to land	11050	195.7 (167.2)	Yes

i Net of receipts from the Department of Social Security.

j Figure does not include Service personnel.

k Defence Support Agency of the Ministry of Defence - run on Next Steps principles but remaining within the defence chain of command.

Meteorological Office (Secretary of State for Defence)	Provides meteorological information to the armed forces and other customers	2260	100 (60)	No
Military Survey Service (n) (Secretary of State for Defence)	Provides geographic (mapping) services to the armed forces	860 (l)	N/A (m)	No
National Engineering Laboratory (Secretary of State for Trade and Industry)	Provides specialised services for the engineering industry, including full scale testing facilities	600	22 (15)	No
National Physical Laboratory (Secretary of State for Trade and Industry)	Develops and maintains the national measurement standards for physical quantities, and provides essential calibration services	810	33 (22)	No
[Ordnance Survey (Secretary of State for the Environment)](o)Great Britain	Carries out official surveying and mapping of	2590	62.4 (56.9)	Yes
[Overseas Development Natural Resources Institute (Secretary of State for Foreign and Commonwealth Affairs)] (o)	Carries out research and provides advice in renewable natural resources in developing countries	440	16.4 (16.4)	Yes
Passport Office (Secretary of State for the Home Department)	Issues British passports and certain types of visas	1080	40 (41)	Yes
Patent Office (Secretary of State for Trade and Industry)	Grants patents and registers trade marks for goods and services and for designs	1130	40 (36)	Yes

l Figure does not include Service personnel.

m Figures not separately identifiable until the current financial structure has been reorganised as part of MOD's New Management Strategy.

n Defence Support Agency of the Ministry of Defence - run on Next Steps principles but remaining within the defence chain of command.

o Not yet publicly announced.

Planning Inspectorate (Secretary of State for the Environment)	Carries out public enquiries and appeals on planning, housing, highways, and other matters	560	23 (22)	No
Radiocommunication Division (Secretary of State for Trade and Industry)	Responsible for most civil radio matters including regulation of radio frequency and provides expert service to the Government in the field of radio regulation	460	17 (17)	Yes
RAF Training Organisation (r) (Secretary of State for Defence)	Provides air and ground training for the RAF and other services	2500(p)	N/A (q)	No
Royal Mint (Chancellor of the Exchequer)	The manufacture and distribution of UK and overseas coin (circulating and commemorative); medals and seals	950	77.9 (s)	Yes
Royal Parks (Secretary of State for the Environment)	Management of the Royal Parks	560	15 (5.5)	No
Service Children's Schools (NW Europe) (Secretary of State for Defence) (r)	Provides education for children of service personnel in Germany, Belgium and Sardinia	2330	N/A (q)	No
Social Security IT Services Directorate (Secretary of State for Social Security)	Provides computer and communication technology services for the DSS	3000	N/A (t)	No
Social Security Benefits Administration (Secretary of State for Social Security)	Assesses, issues and administers social security benefits	79000	N/A (t)	No

p Figure does not include Service personnel.

q Figures not separately identifiable until the current financial structure has been reorganised as part of MOD's New Management Strategy.

r Defence Support Agency of the Ministry of Defence - run on Next Steps principles but remaining within the defence chain of command.

s 1990-91 planned sales revenue.

t Until composition of Agency is decided, it is not possible to provide expenditure totals.

<p>Training Agency (Secretary of State for Employment)</p>	<p>Responsible for the development and delivery of Government training programmes</p>	11570	2889.3 (199.2)	No
<p>Vehicle Certification Agency (Secretary of State for Transport)</p>	<p>Tests and certificates vehicle and component types to UK and international standards</p>	70	2.4 (2.3)	Yes
<p>Veterinary Medicines Directorate (Minister of Agriculture)</p>	<p>Reviews and controls veterinary medicines and medicated animal feedstuffs</p>	70	2 (2)	Yes

ANNEX B

The Financial Arrangements for Trading Funds

1. A trading fund has the financial duty to break even taking one year with another and meet the further financial targets set (usually a required rate of return on capital employed).
2. A trading fund's commencing capital (ie its total capital base as at vesting day) may consist of either loans or a mixture of loans and public dividend capital (PDC). The loan element is known as the fund's originating debt. The fund pays interest on its originating debt and any subsequent borrowings; will where appropriate schedule repayment of both the originating debt and other loans; and pay a return on any PDC that may have been issued.

Commencing Capital

3. Under the 1973 Act, the size of the commencing capital is determined by the value of the assets and liabilities appropriated to the fund. All the assets and liabilities properly attributable to the operations of the fund must be so appropriated. But in some cases it may be better for some assets to be leased or rented by the fund rather than appropriated, and the Bill allows for this.

Financing of Commencing Capital

4. The 1973 Act enables the Minister responsible for a fund, with Treasury concurrence, to provide for financing the commencing capital through either loans or a mix of loans and PDC. The precise arrangements will need to suit the circumstances of each Agency. A particular factor will be the interaction between the revenue needed to achieve the Agency's financial target and that

needed to pay interest on its originating debt at the time the fund is established. If the commencing capital were financed solely by loans, the interest payments could in the early years exceed the financial target, and lead to a conflict with the break-even obligation. In such circumstances the government would consider issuing sufficient PDC, up to a maximum of 50% of the commencing capital, so that the interest payments did not exceed the financial target. Where PDC is issued, the Agency will be required to publish 5-year forecast dividend profiles, rolled forward periodically, showing the return that it expects to make each year on its PDC.

5. Under the 1973 Act, once the commencing capital is determined, the way it is financed cannot be varied. The Bill provides a power of subsequent variation to enable the responsible Minister, over the life of the fund, to keep the aggregate return from loan servicing and public dividend capital broadly in line with the financial target.

6. Arrangements for financing the commencing capital will be set out in each fund's annual report and accounts.

Source of Loans

7. Under the 1973 Act all loans to trading funds are made from the National Loans Fund (NLF). The Government considers that provision should also be made for loans from the responsible Minister's Votes so that a decision can be made case by case. Borrowing will be from Government sources.

8. It is envisaged that the types and terms of voted loans will broadly parallel those from the NLF, and the Bill attracts the relevant provisions of the National Loans Fund Act 1968. In addition to the originating debt, short-term loans will be available for temporary borrowing.

9. The 1973 Act placed an upper limit of £250 million on the aggregate of loans that may be made to trading funds other than by way of originating debt. Given the increased use of trading funds expected for Agencies, the Bill proposes that this should be increased to £2 billion, with a power to increase it further up to £4 billion by affirmative resolution order.

Payments from Votes

10. Where the majority of its receipts come from the provision of goods or services, an Agency would fall within the new powers. Agencies will not in principle be excluded because they receive some payments by way of grant or subsidy from their parent department's Votes. Provided these are clearly defined and targeted for a specific purpose, and are fully transparent, they need not undermine the quasi-commercial disciplines on which a fund is based. But these payments will not be allowed to become open-ended subsidies, or be used to finance year after year loss-making operations.

Winding up Funds

At present a trading fund can only be wound up by primary legislation. The Bill provides powers to merge or wind up funds by affirmative resolution order, thus paralleling the procedure under which they are set up.



10 DOWNING STREET

Prime Minister

You suggested that DTI should be exempted from the VFOA seminar because it does not now spend much. It is true the money it dispenses has been cut drastically, but it still spends more in running costs than Health, MAFF, Transport, and it is in the forefront of the development of agencies. There is therefore a case for retaining DTI in programme, at the end of 1990.

What do you think?

Yes - but please AT
cut down the 30/11
number
not

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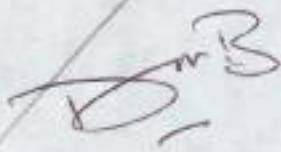
ANDREW TURNBULL

VALUE FOR MONEY SEMINAR: DEPARTMENT OF HEALTH.

A few comments only on your excellent note of the meeting on 28 November.

④ — Page 2, para 5 After the second sentence ending "and to monitor performance against them" I think it would be helpful to add "In that context it was disappointing to see that important statistical measures of performance were still often 3 years out of date." Further down in that paragraph you pick up the Prime Minister's references to the work done by John Yeats on waiting lists. My recollection is that he is a researcher rather than a consultant. If there is any doubt about this it might be better to amend that sentence slightly to read "She noted the recent work which had shown that records kept on waiting lists were often faulty".

⑤ — Page 3, final paragraph After the penultimate line ending "pressure for competitive tendering" it would be helpful in further discussions with the department if you could add "Management and value for money targets should be set in all these areas". You might add also to the following sentence "and there should be similar arrangements for the family practitioner services".


DON BRERETON
30 November 1989

Govt Mach. Payrol.



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PRIME MINISTER

VALUE FOR MONEY SEMINARS: 1990 PROGRAMME

When you saw Sir Angus Fraser's report on the work of the Efficiency Unit, you agreed that the Value for Money Seminars should concentrate on those departments where Ministers appeared to have less of a grip on management. The Efficiency Unit have now put forward proposals for next year.

I do not think you can find time for nine seminars in one year. I doubt whether a seminar on the Department of Energy will be needed as the issue to be faced towards the end of next year is whether to go through with the merger with DTI. You have held seminars recently with the Home Office and the MOD and I would therefore suggest they could be in early 1991. The programme for next year could therefore be

First Half of 1990

PSA *March*

~~Inland Revenue~~

Employment *Jan / Feb*

Second Half of 1990

[DTI] - *does not need spend very much,*

Transport

Environment

Content?

AT

Yes not

ANDREW TURNBULL

29 November 1989

c:\wpdocs\pps\sem

ANDREW TURNBULL

PRIME MINISTER'S VALUE FOR MONEY SEMINARS: 1990 PROGRAMME

1. You invited me to put forward suggestions for next year's programme. There are a number of large departments which have not been invited to a seminar for some time - I attach a list of those seen over the last 3 years. Sir Angus has looked at the list in the light of your minute of 27 October suggesting that VFM seminars should tackle departments where there was scope for more emphasis on management from the top down. The suggestions below take account of these points and others such as whether the department is reorganising itself under new leadership or has taken on substantial increases in programme expenditure.

2. We suggest that the Prime Minister might see 6/7 from the following:

PSA: Agreed on last year's list and postponed until its reorganisation into a trading fund was under way. Early March would be a good opportunity to review progress made since the successful scrutiny on cost competitiveness completed this year.

Department of Transport: Not seen since December 1987. Has recently taken on very substantial new commitments to investment particularly in the road building programme. Probably best seen later in the year when the new Secretary of State has had time to settle in.

Department of Employment: Last seen in February 1988. Has a number of strengths, for example its initiative on personnel policies, but an uneven record in implementing change, for example, arising from efficiency scrutinies. Has important contribution to make in Next Steps programme.

Home Office: Only recently done but the need for better management of many of its programmes such as police, prisons and the passport office would justify another session towards the end of the year with the new Home Secretary.

Department of Energy: A smaller department which has not yet featured in the VFM seminar programme. Has had limited success in setting clear targets and measuring progress towards them. A current scrutiny on its management of major research programmes will provide some specific issues for discussion.

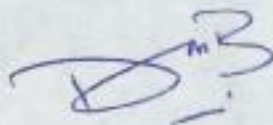
Department of Trade and Industry: Last seen in April 1988. Has achieved some pioneering work on devolved budgeting and management information. A recent scrutiny has shown that middle management want to take this much further. Will be valuable to pursue these issues later in the year when the new Secretary of State has settled in.

Inland Revenue: A large and generally well-managed operation which has not been reviewed for some time and where there are major IT developments. A good candidate for early in the New Year.

Department of the Environment: Last seen in October 1988. Led the way in management information systems through MINIS but has been dominated by the legislative programme over the last 2-3 years. When the new Secretary of State has settled in it will be important to ensure that there are clear targets for measuring results of policy changes.

Ministry of Defence - Procurement Executive: Some aspect of MOD has featured in the programme for each of the last 3 years. A seminar at the end of 1990 or the beginning of 1991 would be a useful spur to progress following up recommendations for change, for example, arising from the efficiency scrutiny on learning from experience.

3. Subject to the Prime Minister's views, I will be glad to discuss timing with you and the arrangements for briefing the departments to ensure that their presentations focus on the main management issues.
4. A copy of this minute goes to Sir Robin Butler's office.



DON BRERETON
29 November 1989

LIST OF VFM SEMINARS: 1987-89

1987

DHSS (SS)	7 January
MOD(PE)	21 January
DES	26 January
C&E	2 February
DTP	9 December
MAFF	23 December

1988

IR	13 January
MOD (non PE)	27 January
DE	24 February
DTI	27 April
DOE	4 October
FCO	28 November

1989

DES	11 January
DSS	2 May
HMT	17 May
MOD (non PE)	14 June
HO	19 July
DH	28 November
MAFF	6 December





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10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

28 November 1989

Dear Andy,

VALUE FOR MONEY SEMINAR: DEPARTMENT OF HEALTH

The Prime Minister held a seminar today on Value for Money in the NHS, Personal Social Services and the Department of Health. Present were your Secretary of State, Sir Christopher France and Mr. Nichol; Sir Angus Fraser and Mr. Brereton (Efficiency Unit); and Sir Robin Butler.

In his presentation, your Secretary of State turned first to the NHS. He said the proposals in "Working for Patients" would improve quality of services while maximising value for money. He highlighted the proposals for improved central and local management, greater incentives for productivity, greater emphasis on efficient use of assets, better targeted pay, closer examination of clinical costs and outcomes, and increased competition. In the FPS the proposals in Working for Patients came on top of the proposals in the earlier Primary Care White Paper. Among the initiatives directed towards securing greater value for money were performance related contract for GPs, better targeting of resources, incentives to avoid wasteful expenditure on drugs, the introduction of GP practice budgets, an enhanced management role for FPCs and better co-ordination between the HCHS and the FPS by bringing the FPCs under the management of RHAs.

Your Secretary of State then turned to the indicators of greater efficiency in the acute sector. The length of hospital stays was declining and there was a slight fall in real terms unit costs. There was a continuing switch towards day cases. At present these represented about 15 per cent of operations but it was estimated that this could be raised to 50 per cent which would produce enormous savings.

Your Secretary of State then turned to the cost improvement programme, the cumulative value of which was nearing £1 billion. The largest sources of savings were rationalisation of patient services and labour cost savings, for example through reducing shift overlaps. Savings had also been made in supplies, for example through competitive tendering. Income generation had yielded £10 million in its first year and it was hoped to raise this to £75 million by 1991-2. Land sales had risen from

AB

£8 million in 1978 to £270 million last year, though the slowdown in the property market would make it difficult to sustain this improvement.

The role of VFM audit was being extended. The NHS management executive had established its own VFM unit which would be concentrating this year on operating and out patient departments and day surgery. Responsibility for external audit of the NHS was being transferred to the Audit Commission who were planning four VFM audits a year. Medical audit had been well received by the profession and it was hoped to introduce it into every district by April 1991.

In the area of personal social services major efficiency improvements were being sought by the expansion of fostering. This not only benefited children but was substantially cheaper than caring for children in local authority homes. For the elderly, income support expenditure on residential care had risen dramatically but the recently announced changes in the funding structure would remove the perverse incentive towards care in residential homes which was much more expensive than domiciliary care.

Finally, your Secretary of State discussed the changes being made in the Department itself. Although there appeared to be 8,600 staff engaged on headquarters functions, in fact nearly 6,000 of these were engaged on executive functions such as the special hospitals and the DSA. There were plans to establish over 1,000 staff in Next Steps agencies. For the staff remaining in the core of the Department a management plan had been established, an accommodation strategy was being put into effect, and four scrutinies were in the current programme with two more in the planning stage.

The Prime Minister acknowledged that enormous effort was being made to bring about the organisational changes set out in the various White Papers. It was important, however, not to lose sight of the need to set value for money targets and to monitor performance against them. In that context it was disappointing to see that important statistical measures of performance were still often 3 years out of date. Efficiency in many areas was undoubtedly improving though this did not always demonstrate itself in ways which were readily apparent to the general public. Their perception was broadly influenced by waiting lists and waiting times where, despite the extra money that had been made available, there appeared to be little or no progress. She noted the recent work which had shown that records kept on waiting lists were often faulty, still retaining the names of people who had since died or who had been treated elsewhere. The Prime Minister also quoted the example of a surgeon who had to cancel theatre sessions because the supporting services he needed were badly organised.

Your Secretary of State shared the Prime Minister's concern at the waiting lists initiative. While it was true that the state of records often made the position look worse than it was, it was also the case that the way in which the initiative was structured was not designed to produce the best results. The consequences of making money available where waiting lists were longest was, not surprisingly, to keep lists long as they

provided the basis for claims for care services. The contract system in the NHS reforms would completely turn these incentives around. DHAs would hold the budgets and the responsibility to see that patients were treated. They would place contracts with hospitals with the best records. Those with long lists or slow throughput would lose resources relative to the more efficient. In part, also, the problem lay in the wide disparity in performance between surgical teams. The Prime Minister urged your Secretary of State to give publicity to the worst cases. It was essential to achieve results quickly and not simply wait for the NHS reforms to take effect.

The Prime Minister said she was also concerned about procurement on which the NHS spent £6 billion a year. The contracting out initiative had lost momentum. Very rarely were outside bids accepted. It appeared that bids were sought from outside firms solely to provide a marker against which to renegotiate the in-house contract. She questioned whether costs were being assessed in a way which gave outside bidders a fair chance.

The Prime Minister also questioned whether the delivery of supplies was being organised in the most efficient way. Insistence on regional depots could mean that opportunities for shorter cross-boundary delivery runs were ignored. One consequence of self-governing hospitals would be that they could organise their supplies in the most efficient way. Your Secretary of State said that supplies had been reorganised, the number of depots being reduced from 400 in 1986 to 36 by the end of 1989. This produced substantial savings not only in the running costs of the depots but also by aggregating purchasing power so that better bargains could be struck with suppliers. Many of the complaints against the present system came from those who had operated the old, less efficient, system.

The Prime Minister asked whether the Family Practitioner Committees were equipped to assess the performance of GPs. Your Secretary of State replied that at present they were not as this was not part of their function. The new FPCs would have executive responsibility for setting cash limits and drug budgets and that would bring with it the responsibility for monitoring performance.

Summing up the discussion the Prime Minister said it was essential to secure earlier improvements in those indicators of performance to which the public attached importance. The most significant was the length of waiting lists and the special waiting time. While inevitably a great deal of management time would be devoted to putting in place organisational changes, it was important to keep up the momentum of cost improvements. Particular attention needed to be paid to procurement and to keeping up the pressure for competitive tendering. Management and value for money targets should be set in all these areas. The Department should continue to identify differences in performance between different regions and hospitals. FPCs should develop arrangements to monitor the performance of GPs.

I am copying this letter to Sir Angus Fraser, Sir Robin Butler and Carys Evans (Chief Secretary's Office).

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

Andy McKeon, Esq.,
Department of Health

VALUE FOR MONEY SEMINAR - HEALTH

A number of initiatives have been taken to improve value for money in the Department of Health's £23 billion annual budget. Value for Money is a central theme in the two recent White Papers on the NHS and Community Care. And many health authorities have improved the overall level of service to patients by cutting waste.

But progress in some areas is very disappointing. Three issues are particularly worrying:

1. Competitive tendering has lost momentum.
2. Waiting lists for in-patient surgery are lengthening.
3. Procurement expenditure is still wasteful in some places.

Points 2 and 3 are mentioned in general terms in Angus Fraser's note. But you may want to raise three specific ideas on waiting lists and procurement which could have a significant impact on better value for money.

Competitive Tendering

After 5 years, the annual savings generated by the competitive tendering initiative have exceeded £100 million. But after a strong start, savings are now levelling off for four reasons:

First, management commitment is patchy. Some managers are not prepared to cede day-to-day control over their staff.

Second, some contractors have lost interest in bidding. For example, when I met the managing director of Gardner Merchant (A THF subsidiary) he was particularly annoyed about the lack of progress on catering contracts. Only a handful of catering contracts have been won ^{of which we} in-house. They have been put off by NHS bureaucracy and what they consider to be unfair competition.

against the in-house bid?

Third, the operation of the rules on the calculation of redundancy cost and treatment of VAT have given a built in advantage to an in-house bid.

Fourth, some management are not prepared to take on the local trade unions.

Kenneth Clarke should be asked to respond to these concerns.

Questions to ask:

Are there any initiatives in place to boost competitive tendering?

Should competitive tendering be statutory as it is with local authorities? Is there a role for the Audit Commission to ensure fair play?

Waiting Times

If we are able to cut waiting lists before the next election, there will be clear evidence that our policies are succeeding.

Yet despite the £35 million annual waiting initiative the waiting list for in-patient surgery has been steadily increasing over the last few years to over 700,000 today. This statistic

is one of the most closely followed trends in the health service as evidenced by a recent press headline

'waiting list cash fails to end misery of queues'.

In practice, the time people have to wait is more significant than the numbers on the waiting list. But the picture is still poor. On average, 26% of patients still wait over 1 year.

In the words of John Yates, who is an authority on waiting times:

"The current strategy must be classed as being a failure or at best not yet successful (after two and a half years)"

In his capacity as a management consultant to the NHS, John Yates has been extremely successful in reducing the number of patients waiting over one year by 12% in the worst 22 districts over an 18 month period. For example, in the space of one afternoon he managed to reduce one surgeon's waiting list in the Royal Free Hospital, Hampstead by 500 simply by updating the records. One person on the list had died 18 years ago!

Recently, John Yates' responsibilities have been extended to the worst 100 districts. This is most welcome. Yet he believes the waiting list initiative is poor value for money.

The waiting list money pays for increased throughput not for shortening the waiting list. Under the current system, hospitals can easily transfer resources from one surgical unit to another simply to attract waiting list money to the first unit.

John Yates rightly proposes a good practice allowance for authorities which successfully reduce long waiting times (ie over a year).

Yet the department wants to retain the existing 'failed' system.

Surely in view of John Yates' successful track record it is essential that his ideas are tested.

Questions to ask Kenneth Clarke:

Will waiting lists and waiting times continue to rise?

Could the central waiting list initiative be based on incentives to achieve shorter lists rather than payments for increased throughput?

Procurement

Procurement expenditure in the NHS is enormous, amounting to around £4 billion for goods and non-clinical services and another £2 billion on medicines. Over 6,000 staff are directly engaged on procurement duties. And the total value of stocks held at any one time ranges between £400-500 million. Clearly, small percentage savings could have a significant impact on improving patient care.

I have two specific concerns:

First, some regional storage facilities seem to operate at the convenience of the region rather than for the benefit of the hospitals.

For example, the new £10 million distribution facility at Maidstone delivers supplies throughout the South-East Thames Region, including Brighton. But as the delivery truck winds its way between Maidstone and Brighton, it drives within 7 miles of 19 hospitals in South-West Thames Region which are responsible for just under 5,000 beds. But no cross-border deliveries are made.

The management of regional stores is producer driven, not customer sensitive. For example, Maidstone Hospital is short of storage space and needs regular deliveries. Yet because the delivery schedule is fixed by the region, the hospital frequently runs out of supplies. Sometimes, according to the NHS Procurement Director, nurses pay the porter to purchase medicines off the shelf in Boots the Chemist.

Question to ask:

Could the day-to-day management of the stores be moved outside the control of the Regional Health Authorities perhaps by franchising the service?

Second, the department appears to have no strategy on information technology. This could lead to substantial wastage and delays in implementing the NHS Review.

Without better information on costs, output and waiting lists, an internal market will be difficult to operate.

Questions to ask

What is the status of the implementation of new information technology?

Does the department and the health authorities have the right calibre of staff to manage the change? Could one senior computer expert be seconded from the private sector to each Region?

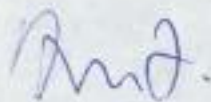
Ian Whitehead

IAN WHITEHEAD

MR TURNBULL

DEPARTMENT OF HEALTH VALUE FOR MONEY SEMINAR - 28 NOVEMBER 1989

I attach the Prime Minister's brief for the Department of Health Value for Money Seminar. I have sent a copy to Robin Butler.



ANGUS FRASER

PRIME MINISTER

DEPARTMENT OF HEALTH VALUE FOR MONEY SEMINAR - 28 NOVEMBER 1989

INTRODUCTION

No. Was one in 1986 on NHS

1. This will be the first seminar you have held to address value for money from expenditure on health. A previous DHSS seminar with Norman Fowler on 7 January 1987 was devoted mainly to social security operations. Kenneth Clarke, Chris France, and Duncan Nichol will attend.

2. Total spending on Health and Personal Social Services is about £23 bn, comprising:

Hospital and Community Health Services	£14.4 bn
Family Practitioner Services	£4.7 bn
Central Services (Welfare Food, Health Education, Special Hospitals)	£440 m
Department of Health (DOH) running costs	£160 m

DoH Total	£19.7 bn
Personal Social Services (Local Authorities)	£3.4 bn

DoH and Local Authority Total	£23 bn

Approximately 75% of expenditure in the NHS is on manpower. About 794,000 people are employed in the Hospital and Community Health Sector, and 61,000 in Family Practitioner Services: about 8,500 work in the Department of Health. In local authorities about 236,000 work in Personal Social Services. Details of expenditure and staffing levels are at ANNEX A.

3. Since the split from DSS the Department of Health has made some welcome progress in identifying key objectives and in developing strategies to achieve them. At my suggestion Kenneth Clarke has produced for the first time a statement of seven key aims and objectives and this has been widely promulgated in the Department (attached at ANNEX B). In the NHS there have been some improvements in target setting and performance assessment. Value for money improvements have been achieved through the Cost Improvement Programme, and income generation activities are growing. You may wish to acknowledge these efforts. There is still not nearly enough concern with results at the strategic level, and most of the targets associated with Kenneth Clarke's key aims and objectives and with the NHS Review are soft and intermediate in nature. This, together with the progress needed on specific issues such as Waiting Lists, NHS

Procurement and future Information Technology Plans should provide the main theme of the seminar.

HANDLING

4. I understand that Kenneth Clarke will speak for about 20 minutes and seek to demonstrate value for money improvements achieved in four main areas: Hospital and Community Health Services, Family Practitioner Services, Personal Social Services, and the Departmental Headquarters. He will need to demonstrate that the results achieved contribute to his strategic aims. Of course the main thrust of the NHS White Paper is to achieve better value for money. Mr Clarke will need to show that he is prepared to set output targets by which the success of these proposals can be judged. I think it would be useful to touch on each of the four areas in the presentation, and separately upon progress in implementing the White Paper. You may wish to set the agenda at the outset. The remainder of this brief suggests some points to raise in each of these areas, and ANNEX C lists all the questions raised.

NHS - HOSPITAL AND COMMUNITY HEALTH SERVICES

5. Despite good progress in raising the throughput and productivity of hospitals, and in reducing slightly the unit costs of treating in-patients, a number of concerns remain. Waiting lists remain stubbornly long, and there is a need to ensure that pressures for cost improvements, income generation and other value for money initiatives do not slacken during the implementation of the NHS White Paper.

Points to Raise

- a. What is the current trend on the Waiting List? How many people are having to wait over 12 months for treatment? The Department now has a Central Waiting List Fund. What hard targets have been set for it, and what concrete results has it achieved?
- b. Value for money issues: What targets have been set for the NHS Management Board's central Value for Money Unit? The annual spend on supplies and equipment is about £6 bn. What action is in hand to improve the efficiency of procurement? What is the right balance between utilising the buying power of the centre and making Health Authorities and self governing hospitals responsible for their own procurement?

NHS - FAMILY PRACTITIONER SERVICES

6. These include general medical, dental, ophthalmic, and pharmaceutical services. They are provided by independent contractors, and administered by 90 Family Practitioner Committees. In the past the Department has found it difficult to apply performance measures to these services and to achieve sufficient leverage to improve value for money. The NHS White Paper makes a number of specific proposals in this area.

Points to Raise

- a. What progress has been made in reviewing comparative performance of Family Practitioner Committees, and in developing performance indicators?

- b. The cost of medicines remains a major issue and there have been several initiatives to contain and reduce costs. What concrete results have been achieved from the Prescribing Analysis and Cost Programme (PACT), and from the use of generic drugs?

PERSONAL SOCIAL SERVICES

7. Personal Social Services are administered and funded by local authorities, though just over 32% is financed by block grant from Government. There has always been a difficult dichotomy between policy at the centre and performance by local authorities as providers. The implementation of the White Paper "Caring for People" should provide an opportunity to clarify the responsibility of participants, make it easier to hold them to account for performance, and secure better value for money.

Points to Raise

- a. In view of the recent White Paper how much more needs to be done to establish clear responsibility and accountability in delivering Personal Social Services?
- b. Does the recently published Bill give you sufficient powers to ensure that national policy aims for individual client groups are consistently implemented by local authorities?
- c. What outcomes do you wish to achieve in community care, and what targets will you apply in the new initiatives?

DEPARTMENT OF HEALTH

8. The split of DHSS into two Departments, the rethinking of the responsibilities between the Department, the Policy Board and the Management Executive, and the influence of Next Steps, provide a unique opportunity to slim down and disperse much of the Departmental Headquarters.

Points to Raise

- a. What minimum functional responsibilities need to be retained at the centre of the Department?
- b. What progress have you made in devolving the remaining headquarters tasks to Health Authorities, Agencies, or other bodies? What are your targets in numbers of personnel, cost savings, and geographical dispersal? When will the programme be completed?
- c. The Department has secured only a one year running cost settlement this year, as compared to the more normal three year settlement, mainly because of uncertainties in its information technology planning. How well prepared are the Department's information systems to cope with new management relationships in the NHS, and the implementation of NHS White Paper proposals?

NHS WHITE PAPER IMPLEMENTATION

9. Implementation of the White Paper proposals is being handled through 35 separate projects in the Department. Some areas look

promising - the enthusiasm for self governing status in hospitals for example is greater than expected and there may well be 50 strong candidates in the first tranche in April 1991, with others to follow. It would be worth questioning progress across the board, and also querying the Department's approach to setting the outcomes it wishes the Review to achieve.

Points to Raise

- a. What progress is being made in the White Paper implementation projects across the board? In particular on GPs' budgets to buy hospital care, and GPs' indicative drugs budgets. Which of the projects give you most cause for concern?
- b. The NHS Review will not ultimately succeed unless it produces measurable improvements in Value for Money, clinical performance, quality of care, and patient satisfaction. How are you approaching the problem of setting targets in these areas? Is the current data good enough in any area to allow you to do this? If not what are you doing about it? Are you looking for improvements in relative performance in the interim?

SCRUTINIES

10. The implementation of the NHS White Paper proposals has been very demanding of high calibre staff, and the Department has not run a major scrutiny of its own this year. It has contributed to:

- a. Joint scrutiny with DSS in the use of external consultants.
- b. Home Office led scrutiny on the Voluntary Sector.

There are three scrutinies in the planning stage:

- c. a scrutiny of the medical divisions of DoH to take place in 1990, agreed between Robin Butler and Chris France earlier this year following preliminary work by Kate Jenkins.
- d. a scrutiny of professional staff recruitment
- e. a scrutiny of the training of non medical contractor professions in the Family Practitioner Service.

Points to Raise

When do you expect the scrutiny of medical divisions to start, and how will it fit with the proposed Senior Open Structure Review?

AGENCIES

11. The Department has not yet set up any Next Steps Agencies, and has not yet announced any candidates. Possibilities include NHS Superannuation and the Estates Directorate.

Points to Raise

When do you expect to announce your first agency candidates and how soon do you expect the first agency to be formed?

SUMMARY OF OBJECTIVES FOR THE MEETING

12.

- a. To ensure that the pressure for value for money in the NHS does not slacken in the course of implementing the NHS White Paper.
- b. To ensure that the implementation of the Griffiths proposals on community care really does produce clearer responsibility, greater accountability, and improved outcomes.
- c. To ensure that DoH seizes current opportunities to slim down and rationalise the headquarters function.
- d. To check progress on the implementation of the NHS White Paper and to ensure that the Department is working hard to develop output measures by which the success or failure of the proposals will ultimately be judged.
- e. To give a push to new scrutiny topics, and Next Steps.

Angus Fraser

ANGUS FRASER

23/11

<u>EXPENDITURE (£m)</u>	1987-88	1988-89	1989-90
Hospitals and Community Health	12,209	13,472	14,411
Family Practitioner Services	3,899	4,276	4,689
Central Services	390	414	437
DoH Running Costs and Capital Expenditure	133	169	175
<u>DoH TOTALS</u>	16,631	18,331	19,712
Personal Social Services	3,062	3,348	3,441
<u>DoH and Local Authority TOTALS</u>	19,693	21,679	23,153
<u>STAFF ('000)</u>	1986-87	1987-88	1988-89
<u>HOSPITAL AND COMMUNITY HEALTH</u>			
Nursing & Midwifery	403	404	404
Medical & Dental	43	43	45
Ancillary	124	115	107
Ambulance	19	19	19
Admin & Clerical	112	115	116
Maintenance	25	24	22
Professional	76	79	80
TOTALS	802	799	793
<u>FAMILY PRACTITIONER SERVICES</u>			
GPs'	24	25	26
Dentists	14	15	15
Opticians	6	6	6
Pharmacies	10	10	10
FPC Employees	5	4	4
TOTALS	59	60	61
<u>PERSONAL SOCIAL SERVICES</u>			
Social Work	26	27	28
Community Care	85	89	91
Residential (adults)	67	70	70
Residential (children)	20	19	18
Management & Admin	26	27	29
<u>TOTAL</u>	224	232	236
<u>DEPARTMENT OF HEALTH</u>	8.8	8.8	8.5

PRIORITIES STATEMENT

SECRETARY OF STATE'S AIMS AND OBJECTIVES FOR THE DEPARTMENT OF HEALTH

My dominant priority for 1989/90 will be to implement the Government's White Paper "Working for Patients". We will all be devoting enormous effort in the Department and in the NHS to achieve this objective. I expect every part of the Department to devote the necessary time, effort and enthusiasm to this task giving it priority over all other objectives. I am confident of the ability of the Department to play its full part in the implementation process effectively and efficiently.

2 There are in addition policy issues to which I attach particular importance:-

- to safeguard public health through effective policies on smoking, food and water safety, diet and environmental hazards and the prevention of communicable disease
- to carry forward the Government's decisions on community care, taking particular account of the needs of vulnerable groups like the disabled and mentally ill
- to legislate on human fertilisation and embryology to implement the Warnock Report
- to maintain momentum on containing HIV infection and AIDS
- to ensure adequate services for children at risk of abuse.

3 These priorities have to be managed as part of the Department's overall responsibilities and all the services for which I am accountable must continue to be delivered satisfactorily. We must therefore seek to achieve all our aims and objectives and to meet the unexpected challenge when it occurs. But my particular priorities will need to be adequately resourced, if necessary at the expense of lower priority objectives.

4 I wish particularly to communicate to the public and to all in the NHS and the Department what we are trying to achieve and the progress we are making in achieving it.

5 I look to the Permanent Secretary to pursue the aims and objectives set out above for the Department and for the good management of the Department and all its staff; and to the Chief Executive to manage the National Health service efficiently and effectively within the strategy and objectives set by the Policy Board.

LC₂

COMPLETE LIST OF POINTS TO RAISE

1. What is the current trend on the Waiting List? How many people are having to wait over 12 months for treatment? The Department now has a Central Waiting List Fund. What hard targets have been set for it, and what concrete results has it achieved?
2. Value for money issues: What targets have been set for the NHS Management Board's central Value for Money Unit? The annual spend on supplies and equipment is about £6 bn. What action is in hand to improve the efficiency of procurement? What is the right balance between utilising the buying power of the centre and making Health Authorities and self governing hospitals responsible for their own procurement?
3. What progress has been made in reviewing comparative performance of Family Practitioner Committees, and in developing performance indicators?
4. The cost of medicines remains a major issue and there have been several initiatives to contain and reduce costs. What concrete results have been achieved from the Prescribing Analysis and Cost Programme (PACT), and from the use of generic drugs?
5. In view of the recent White Paper how much more needs to be done to establish clear responsibility and accountability in delivering Personal Social Services?
6. Does the recently published Bill give you sufficient powers to ensure that national policy aims for individual client groups are consistently implemented by local authorities?
7. What outcomes do you wish to achieve in community care, and what targets will you apply in the new initiatives?
8. What minimum functional responsibilities need to be retained at the centre of the Department?
9. What progress have you made in devolving the remaining headquarters tasks to Health Authorities, Agencies, or other bodies? What are your targets in numbers of personnel, cost savings, and geographical dispersal? When will the programme be completed?
10. The Department has secured only a one year running cost settlement this year, as compared to the more normal three year settlement, mainly because of uncertainties in its information technology planning. How well prepared are the Department's information systems to cope with new management relationships in the NHS, and the implementation of NHS White Paper proposals?
11. What progress is being made in the White Paper implementation projects across the board? In particular on GPs' budgets to buy hospital care, and GPs' indicative drugs budgets. Which of the projects give you most cause for concern?
12. The NHS Review will not ultimately succeed unless it produces measurable improvements in Value for Money, clinical performance, quality of care, and patient satisfaction. How are you approaching the problem of setting targets in these areas? Is the current data good

enough in any area to allow you to do this? If not what are you doing about it? Are you looking for improvements in relative performance in the interim?

13. When do you expect the scrutiny of medical divisions to start, and how will it fit with the proposed Senior Open Structure Review?

14. When do you expect to announce your first agency candidates and how soon do you expect the first agency to be formed?



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 November 1989

Dear Neil,

THE DEREGULATION INITIATIVE: BETTER REGULATION

The Prime Minister was grateful for your Secretary of State's minute of 16 November and the Chancellor's minute of 22 November.

The Prime Minister is content with your Secretary of State's proposals, subject to the points raised by the Chancellor of the Exchequer about the consideration of matters of fiscal policy. She would also be grateful for a further report on the progress of the initiative next spring.

I am copying this letter to John Gieve (Private Secretary to Mr. Major as Chairman of E(CP)), the Private Secretaries to members of the Cabinet, Sir Angus Fraser and Trevor Woolley (Cabinet Office).

Yours,
Paul

PAUL GRAY

Neil Thornton, Esq.,
Department of Trade and Industry

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M

Reference No: E 0776

1. MR WILSON *W. 24111*
 2. MR GRAY

The Deregulation initiative

Mr Gray asked for advice on the minute ^{gray} from the Secretary of State for Trade and Industry dated 16 November, and the minute from the Chancellor of the Exchequer dated 22 November,.

2. The Chancellor's minute asked that the deregulation reviews should not go into matters of tax policy. I imagine that the Prime Minister will agree with the Chancellor about this. There were no comments from the other members of the Cabinet, to whom Mr Ridley copied his minute.

3. The Prime Minister has of course decided that E(CP) should take over the oversight of deregulation. I suggest that all that is needed now is for her to agree that the ideas in Mr Ridley's minute should be further discussed in E(CP). She could if she wished asked for a further report after E(CP) have considered the comprehensive proposals promised by Mr Ridley for the spring.

4. The reply to Mr Ridley could therefore simply say:

"The Prime Minister has seen your Secretary of State's minute of 16 November about the deregulation initiative. Subject to the point made by the Chancellor of the Exchequer in his minute of 22 November, with which she agrees, she is content for those proposals to be considered further in E(CP). [She would like to have a further report after E(CP) have discussed your Secretary of State's more comprehensive proposals next spring]."

G W
 G W MONGER

Economic Secretariat
 November 24, 1989

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PRIME MINISTER

THE DEREGULATION INITIATIVE

Nick Ridley has sent you a minute (Flag A) setting out his proposals on how to carry forward work on deregulation. You will recall that you had already agreed that in future deregulation should come under the wing of E(CP) - chaired by the Chancellor - rather than under a separate Cabinet committee (MISC 133 was previously chaired by Lord Young).

Mr. Ridley's proposals are:

- There needs to be a shift of emphasis away from the regular reviews of individual regulations towards rather wider reviews of the Government requirements inhibiting people from starting up and building a business. These wider reviews would be reported to E(CP), together with an overview of the existing rolling programming of departmental reviews of individual regulations.
- The impact of major new regulatory proposals - eg in the areas of food safety and the environment - should be carefully watched, together with the rising tide of EC regulations.

The Efficiency Unit (Flag B) welcome this approach. The Chancellor (Flag C) is generally content but stresses that the new style reviews should not touch on matters of fiscal policy; they should remain his preserve for the Budget. I understand that DTI accept this point.

One other issue you will want to consider is whether you would like a further report following the further work in E(CP), say next spring.

Conclusion

- (i) Content with Mr. Ridley's proposal for his revised approach to be considered further in E(CP), subject to the Chancellor's point about tax policy issues? *Yes*
- (ii) Would you like a further report next spring? *no*

Recg

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no*

PAUL GRAY

24 November 1989

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SEP 24
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Treasury Chambers, Parliament Street, SW1P 3AG
 01-270 3000

PRIME MINISTER

THE DEREGULATION INITIATIVE: BETTER REGULATION

Nicholas Ridley copied to me his minute to you of 16 November, which proposed to concentrate resources on practical reviews to clear away unnecessary administrative burdens on business start-ups or expansions, in addition to continuing the current departmental programme of reviews.

I am happy for these reviews to include administrative issues in the tax system but it would not be appropriate for them to touch on matters of fiscal policy. The line between administration and policy can be hard to draw, but I would regard thresholds, penalties, rebates, anti-avoidance provisions and the corporation tax regime itself as policy issues to be determined in the course of the Budget. Naturally the impact on business of these and other issues will be one of the factors I shall consider in my Budget decisions, but I believe that, as far as the tax system is concerned, deregulation reviews should deal purely with matters of administration. I hope therefore that my officials will be consulted before any specific reviews are proposed in the tax field.

I am copying this to recipients of Nicholas Ridley's minute.

James Taylor

JP [J.M.]

22 November 1989

[Approval by the Chancellor and signed on his behalf]

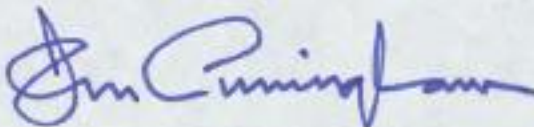
MR GREY

cc MR BRERETON

cc 2/4
B

THE DEREGULATION INITIATIVE: BETTER REGULATION

You requested comments on DTI's proposals on the future of the Deregulation Initiative. We welcome the general approach, both the targeting of wider areas of concern, and the focus on regulation from a company viewpoint. We would particularly welcome efforts to measure the costs of complying with the increasing burden of EC regulations. It will be important to ensure in this new programme of work that the outcome is a specific and timetabled programme of actions designed to achieve measurable results.



JOHN CUNNINGHAM
21 November 1989



PRIME MINISTER

THE DEREGULATION INITIATIVE: BETTER REGULATION

In giving me responsibility for the Deregulation Initiative - which was born out of the desire to reduce barriers to enterprise at a time of high unemployment - you asked how I thought this work might best be taken forward. In today's changed economic climate I think a shift in our approach is now desirable.

Over the last four years or so progress has been made in cutting away out of date and over-burdensome regulations and instilling in colleagues and their departments a more ready appreciation of the costs as well as the benefits of regulatory regimes. As departments have gathered their own momentum the process of reviewing accumulated controls has ground fairly fine, and some are now coming forward with smaller and more obscure targets.

The latest round of reviews therefore risks being overshadowed by moves towards more regulation - particularly in the pollution, food safety and environmental fields. At the same time our successful privatisation of monopolistic companies has highlighted the need to secure effective regulation by bodies like OFTEL, OFGAS and OFWAT. The price of enhanced regulation should be properly assessed for cost effectiveness since the taxpayer or consumer will ultimately have to pay for higher standards and more stringent enforcement.

Where pressures are growing for new or tougher controls we should not therefore abandon our commitment to consult business about the likely costs. Only then can colleagues weigh the costs and benefits in the balance and so produce better regulations. Departments are of course already committed to producing Compliance Cost Assessments for such

proposals; the major ones will need careful attention. By the same token we cannot ignore the rising tide of EC regulations and should continue to press for more attention to be paid in Brussels to counting the costs to business of necessary regulations; studies of particularly burdensome areas of regulation should help us in this task.

In this changing climate we need to concentrate on tackling deregulation from the practical point of view of people starting up and building a business. Under this approach we should review the impact of what are seen as a time-consuming and distracting range of government requirements for different businesses. At the same time we should assess what more can be done to cut down on the cumulative costs; the scope of reducing the expense of complying with tax and company law requirements, for reducing barriers to the development of the flexible work force, and for speeding up and simplifying a great range of business licensing systems and permissions required should all be pursued. I shall shortly be putting details of these wider reviews to E(CP) together with an overview of the existing rolling programme of departmental reviews, before we report to Parliament.

I also envisage a more comprehensive report to E(CP) next Spring, on the basis of progress reports from colleagues on their areas of responsibility. Much of this will cover the implementation of their undertakings in the last White Paper (Cm 512). There are still some worthwhile elements outstanding for colleagues to pursue if necessary regulatory measures are to be kept up to date and proportionate.

With your agreement, I will focus DTI's efforts on

- 1) bringing forward reviews of those wider issues identified above;
- 2) auditing departmental assessments of the impact of complying with major new regulatory proposals.

dti

the department for Enterprise

I am copying this to John Major as Chairman of E(CP), to other members of the Cabinet, to Ministers with departmental * responsibility for deregulation, and to Sir Angus Fraser and Sir Robin Butler.

Len Smeeth

(Approved by the Secretary of State & signed on his behalf)

N R

16 November 1989

DEPARTMENT OF TRADE AND INDUSTRY

CONSERVATION

* FST

And P C Group

~ P C HD

~ P C WO

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PG/HMT

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~ P PCO

~ P FCO

NP1ADP



Note:

This minute overtakes that circulated on 9 November
and then withdrawn.

Civil Servants with an eye on the bottom line

Daily Telegraph

Free enterprise is fine-tuning the government machine, with 'hands on' managers operating at arm's length from Whitehall mandarins. MAURICE WEAVER reports on perestroika in the public sector

THE CARPET fitters had just finished in Ron Oliver's office and he was well pleased. Wall-to-wall in dusty pink signified a wonderful independence from grey Whitehall bureaucracy. As head of that most oily-fingered of government bodies, the Vehicle Inspectorate Executive Agency, Oliver wants it known that he has the freedom to do his own thing.

He is the first exponent of a new way of running government services — a "hands on" manager operating at arm's length from Ministers and mandarins. They set the guidelines; he runs the shop his way. At 44 Oliver is still a Civil Servant but, given his head, he now presents the image and the style of a shirt-sleeved private-sector chief executive. He admits he is enjoying every minute of it.

The Vehicle Inspectorate, an arm of the Department of Transport, administers the MOT programme and carries out annual checks on lorries, buses and ambulances. It was a fairly anonymous part of the 600,000-strong Civil Service monolith until 15 months ago, when it was selected as the first candidate to be "cut loose" under a radical government restructuring programme known as Next Step.

Oliver, a former British Leyland engineer who has been a government employee for 15 years, gestured out of the window of his Bristol office towards the buildings that house the inspectorate's training centre. Once it trained only future inspectors; now it takes truck and coach operators' mechanics, charging £100 a day for "insider" tuition. It is pure Thatcherism in a public-sector hat. "Road safety is our objective," he said, "so why not make it pay?"

And it pays very well. The one-week courses have proved so popular that demand has outstripped resources. "There are benefits all round," says Oliver. "We get an educated

customer who knows how to meet our test requirements; the Exchequer gets the profits; and the operators stand less chance of having a failure on their hands. A lorry off the road can cost £100 an hour, so from their point of view it is a good investment."

Devised by Whitehall's Efficiency Unit at the Prime Minister's behest, the Next Step project aims to identify individual state functions and services and convert those deemed unsuitable for whole-hog privatisation into free-standing, self-administering businesses while still under the aegis of government. The premise is that small (or smallish) is beautiful — more efficient, happier and, hopefully, a contributor to the national purse rather than a drain on it.

The process of disseminating executive power to local management has been greeted by the more conservative ele-

The premise is that small is beautiful: happier and hopefully a contributor to the national purse

ments of the Whitehall establishment with concern, not to say alarm. After all, the dismantling of Civil Service empires is anathema to the Sir Humphrey Applebys of this world. Similarly, the decentralising of pay and conditions bargaining has worried trade union leaders committed to national negotiating machinery.

Charles Harvey, a spokesman for the Institution of Professionals, Managers and Specialists, the government engineers and "boffins" union, says his executive is apprehensive about the possible closure or selling off of units deemed uneconomic. But it is pragmatic enough to acknowledge the potential pay benefits. "So

long as they are within the performance-related structure agreed with the Treasury that is fine; but if local managers start messing around with that structure, say with their own grace and favour schemes, we get most unhappy."

The Next Step project is continuing apace, nevertheless. Peter Kemp, the Permanent Secretary charged with setting it up, announced his tenth conversion to Executive Agency status last week: the Laboratory of the Government Chemist, which provides statutory chemical analysis services.

A total of 7,600 civil servants are now working in a free-wheeling, business-orientated environment. A further 40 government bodies employing 186,800 staff have been identified as being suitable for conversion and 10 of these are scheduled for completion by next summer. The Government plans to offer some top posts on the open jobs market.

Kemp, 55, a chartered accountant with a robust enthusiasm for the project in hand, quotes the Prime Minister's statement that the agency concept should be pursued "to the greatest possible extent". It is an evolutionary process, he says, but ultimately it will encompass three-quarters of the Civil Service, turning it into a federal organisation with a small core to service Ministers and manage departments, and the rest operating semi-autonomously "in the field".

He compares it to multinational companies like, say, Hanson or Trafalgar House, which have relatively tight head-office teams running a variety of largely autonomous subsidiaries. "Government consists of a multiplicity of different organisations," Kemp declares, "yet the Civil Service is in a horizontal, uniform mould. We are not about busting it up, merely changing the form, promoting a change of

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THE GROWTH OF PUBLIC ENTERPRISE

The 10 Executive Agencies are:

- Vehicle Inspectorate
- Companies House
- Her Majesty's Stationery Office
- National Weights and Measures Laboratory
- Warren Spring Laboratory (combats pollution)
- Resettlement Agency
- Civil Service College
- Queen Elizabeth II Conference Centre, London
- Historic Royal Palaces
- Laboratory of the Government Chemist

The 40 proposed Executive Agencies include:

- Social Security Benefits
- Central Office of Information
- Air Officer Training
- Military Surveys
- Diving Tests and Training
- Driver Vehicle Licensing Directorate
- Meteorological Office
- Passport Office
- Royal Parks
- Building Research Establishment
- Defence Research Agency
- Central Statistical Office
- Planning Inspectorate
- Forensic Science Service
- Property Holdings
- Hydrographer of the Navy
- Employment Service
- Intervention Board for Agricultural Produce
- Occupational Health Service
- Historic Buildings and Monuments Directorate
- Patent Office
- Her Majesty's Land Registry
- Insolvency Service
- Veterinary Medicines Directorate
- Property Holdings

culture ... letting in some fresh air."

At the Vehicle Inspectorate that wind of change has been welcomed at all levels, says Oliver. The inspectorate was selected as a pilot scheme in August, 1988 because of its discrete role within the Department of Transport. It had already been nominated for full privatisation (in 1981-82) but this was dropped after Ministers concluded, in face of vigorous opposition, that it would not be cost-effective. In the process it was restructured to ensure local management accountability in its 53 operational districts — an important bonus when the change to agency status came along. "Frankly, if we had not been given agency status at that stage frustrations would have built up."

Charged with embracing the positive business ethic — in effect of focusing more on trading results and less on simply living within budgets — Oliver's 1650 staff have had to change attitudes quite dramatically. "We are a state monopoly," he says, "but that doesn't mean quality of service should count any less than it does at, say, Marks and Spencer. We have to act as if we were in a competitive situation because if we don't then at some stage we might be broken up and sold off."

The inspectorate's customers are already seeing results. This month Saturday vehicle testing is being introduced; the roller brake-testing facilities

are being made available for hire (at £6 a vehicle) to help operators prepare their vehicles for inspection; the technical publications side of the agency is being expanded with new manuals to help owners keep their vehicles up to scratch.

Oliver's office, with its armchair, sofas and light-oak "designer" furniture ("much nicer than government issue, and it cost not a penny more"), reflects improved working conditions throughout the organisation and their planned exten-

The designer furniture is 'nicer than government issue, and it cost not a penny more'

sion to reception areas at inspection centres. "A lick of paint, a 'welcome' notice, a coffee machine and a sign to say who the district manager is — it doesn't take much to change the image."

For employees, previously tied to Civil Service pay rates (with the availability of personal performance enhancements), there is the possibility of "house bonuses" tied to the agency's performance against financial and quality targets — the first arrangement of its kind within the Civil Service. They could be of several hundred pounds and Oliver says trade union officials who objected in principle to local-

ised deals got short shrift.

Oliver is now given to private-sector "buzz" jargon about return on assets ("we were never conscious of assets as such before") and the "bottom line". He has introduced new management information systems, budgetary controls, even published his first annual report with a balance sheet which showed a £616,000 operating surplus (on £52,000,000 turnover) for 1987-88.

At the end of the day, though, this is Civil Service perestroika, not true capitalism. Whitehall policy would constrain the new executive agencies if their success encouraged them to expand beyond their brief. And agency directors such as Oliver are hardly going to make their first million; as a Grade Four Civil Servant he will be on £35,000-£36,000 a year, a good deal less than a comparable private-sector managing director.

On the cabinet in his office there is a model car that looks rather like a Porsche, the classic chariot of the young wheeler-dealer. "As Civil Servants we don't get company cars or perks like that," says Oliver with a wry grin. "Sometimes we do feel caught between two cultures. But there is nothing wrong with dreaming, is there?"

THE Sun
2

MPs BACK £50 RISE

By SIMON WALTERS

MEMBERS of Parliament voted to TAKE a bumper £50-a-week pay hike last night, despite calls to give up the inflation-busting rise.

Only one in ten MPs questioned in a BBC radio poll said they may accept less as an example to other workers.

They are in line for a hefty New Year rise of nearly 11 percent — well over the 7.5 percent rate of inflation.

Their salaries will rocket from £24,107 to £26,701. Tory MP Anthony Beaumont-Dark said the increase was an insult to ambulance workers striking over pay.

He said he would accept only 7.5 per cent, enough to keep up with prices, and called on other MPs to follow suit.

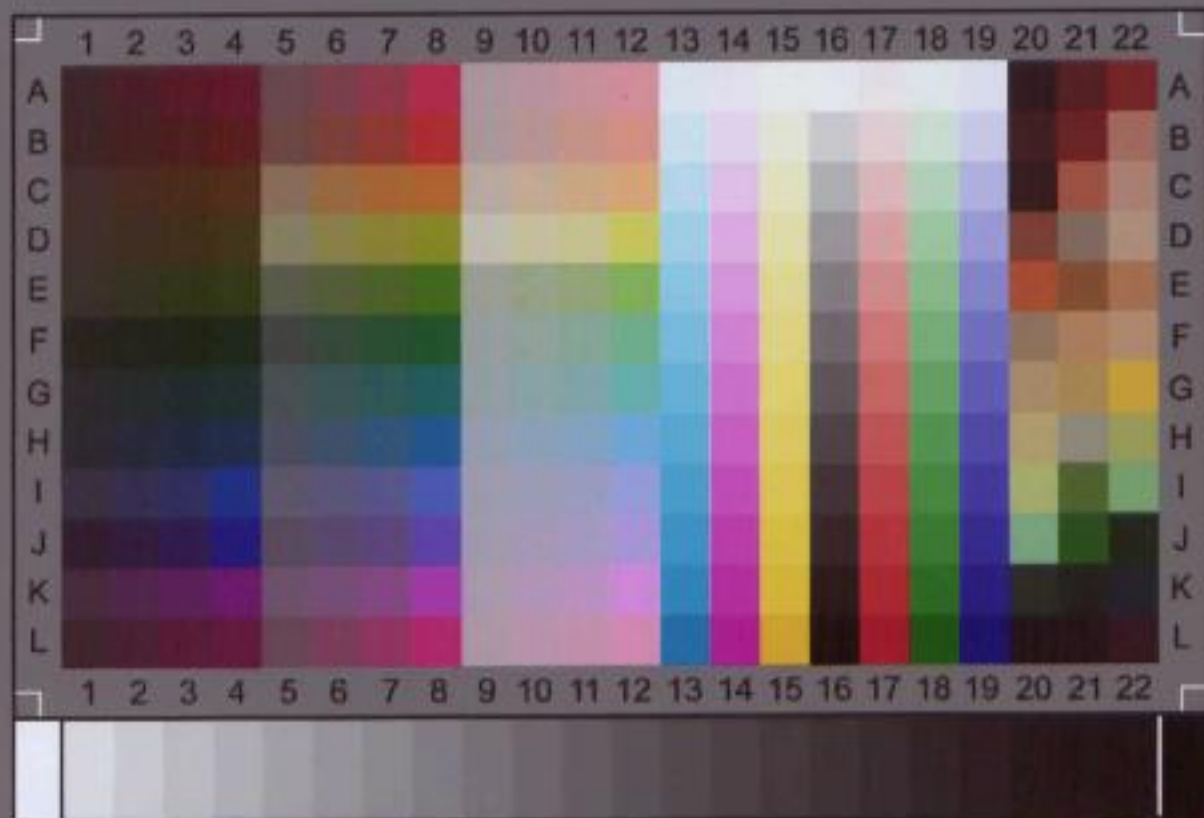
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