PREM 19/3019

Confidential Filing

- The Rayner Programme
- Promotion of Efficiency and Waste
- The Scrutiny Programme

Attached Folder: Employment Service Agency documents

GOVERNMENT MACHINERY

Pt 1: May 1979

Pt 34: April 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~2.4.90~~							
~~12.4.90~~							
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PART 34 ends:-

CA SS/MoD to CAT 31.7.90

PART 35. begins:-

SS/Empl to MS/PCO 1.8.90

Published Papers

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

Progress in the Next Steps Initiative

The Government reply to the Eighth Report from the Treasury and Civil Service Select Committee, Session 1989-90, HC481

Presented to Parliament by the Prime Minister and Minister for the Civil Service, and the Minister of State, Privy Council Office, by Command of Her Majesty, October 1990

Published by HMSO

Signed _____ Date 25/11/16

PREM Records Team

CCPU
Letter only.

1. MR KEMP

2. MR LE JEUNE

FROM: J COWPER
DATE: 19 OCTOBER 1990
COPY: PS/ SIR ROBIN BUTLER
MR LAWSON
TEAM
MR DRANE

DR COTTRELL

NEXT STEPS

file with BP? c.c. Caroline Slocock
[illegible] 19/10

Mr Kemp minuted the Minister of State on 12 October about the two Next Steps documents we are publishing on 31 October. The Reply to the TCSC has now been cleared with the Treasury and there are no longer any outstanding points. The text of the Annual Review too is now agreed with departments at official level.

2. Mr Kemp proposed to the Minister of State that he should minute the Prime Minister to ask her to join with him, as before in presenting the response to the TCSC and the new Annual Review to Parliament. We have amended the draft minute to bring it up to date; and also to draw the Prime Minister's attention to the contents of the Annual Review; and in particular to the procedure on Parliamentary accountability for Agencies, particularly the way Ministers will deal with Parliamentary Questions and correspondence. As you recall, this is something on which we have been very much in touch with the Lord President's office; he intends to make a written Reply on this subject.

3. We shall be letting you have a draft written Reply for the Minister to make on the publication of these Command papers; as well as a submission proposing that he should write to colleagues on the day of publication to draw their attention to the procedure on accountability (something we have also discussed with the Lord President's office). Finally, if the Prime Minister agrees to what is proposed, we shall let you have a letter for Mr Mellor to send Messrs Higgins and Radice to give them advance notice of the date the Government will reply to their report. As usual, we shall provide a letter for you to send the CFR to Ministers' Private Secretaries.

4. Mr Lawson will be in touch with you about the arrangements, but the Minister may wish to hold a press conference in his room on the day of publication. There will of course be a press notice in the usual way.

M J Cowper

M J Cowper
Next Steps Project Team

DRAFT MINUTE FOR PS/MINISTER OF STATE TO SEND TO :

PS/No 10

NEXT STEPS

The purpose of this minute is to ask you to seek the Prime Minister's approval to join with my Minister as she did last year in presenting to Parliament the Command paper replying to the latest report on Next Steps from the Treasury and Civil Service Committee (TCSC). Their report was again generally supportive. The attached draft of the reply (cleared with Departments at official level) emphasises yet again the Government's determination to make Next Steps a durable success.

2. This year also, following an announcement by my Minister in April, we propose to publish the first Annual Review showing the successes of the Agencies and a draft of this is attached. My Minister thinks it tells a very good story. We think that this too should be a Command paper, and we would hope very much that the Prime Minister could agree as with the reply to the TCSC to present it jointly with my Minister.

3. You will wish to draw the Prime Minister's attention to the response to Conclusion (xx), on pages 13-14 of the draft reply to the TCSC. This deals with new arrangements for handling PQs about Agency operational issues. You will recall that the Prime Minister answered questions on the subject from Mr Flynn in May (OR 15 May 1990 col 375), and in June (OR 6 June 1990 col 615). The matter was also raised during Business Question on 5 July (OR col 1138). The procedures set out have been agreed with the Lord President who will be explaining them to the Opposition Leader of the House at a meeting on 23 October. The Lord President will also make a written reply to the House on the day the White Paper is published. If the Prime Minister is content my Minister proposes to write round to Government Colleagues on the day of publication drawing attention to the procedures.

4. The planned publication date for both documents is 31 October and my Minister proposes to host a press conference on that day.

5. Copies of the CFRs of both these documents will be sent to the Private Offices of Cabinet colleagues in due course, in accordance with the rules; at this stage I am copying this only to the Private Secretaries of the Lord President (for the references to Parliamentary accountability), the Chief Secretary and Sir Robin Butler.

MLJ

15 May 1990

WRITTEN ANSWERS

col: 374-375

Executive Agencies

Mr. Flynn: To ask the Prime Minister whether she will list in the *Official Report* the subjects on which, as a result of the transfer of functions to executive agencies, Ministers will no longer answer questions.

The Prime Minister: Ministers remain fully accountable to Parliament for all the work of their Departments, including executive agencies. However, hon. Members may often wish in the first instance to deal directly with agency chief executives on those matters for which they have delegated authority under the agency's framework document and I would encourage them to do so. In such cases the chief executive will be best placed to give them a response promptly and effectively.

6 June 1990

WRITTEN ANSWERS

col: 615

Executive Agencies

Mr. Flynn: To ask the Prime Minister, pursuant to her answer on 15 May, *Official Report*, column 375, whether Ministers will continue to give substantive answers to questions on matters delegated to executive agencies where the Member concerned has indicated that he or she does not wish in the first instance to deal directly with the agency's chief executive.

The Prime Minister: As I told the hon. Member on 15 May, Ministers remain fully accountable to Parliament for the work of their Department, including executive agencies and are, therefore, ready to reply to questions about any aspect of this work. But one of the objectives of establishing executive agencies is to respond better to the concerns of hon. and right hon. Members. Chief executives and agency managers will have the immediate detailed knowledge which the hon. Member is seeking, as well as the necessary delegated authority to take appropriate action. Where right hon. and hon. Members' concerns relate to an operational matter for which the Minister has delegated authority to the chief executive under the agency's published framework document, they will therefore best be met by going direct to the chief executive or, as appropriate, the local agency manager to get a prompt and effective response.

5 July 1990

POINT OF ORDER

col: 1138

Mr. Dennis Skinner (Bolsover): On a point of order Mr. Speaker. As you know, Back Benchers who table questions can find themselves at your door if there is any argument about the way in which they have been tabled. Since April this year, the Government have increasingly adopted the practice of fobbing off employment questions to a fellow by the name of Michael Fogden, the chief executive of the Employment Service. It is bad practice for the Government not to answer questions but to send them instead to a civil servant to answer. The result is that, when the Low Pay Unit and other bodies look for the information in *Hansard* all that they find are the words, "Mr. Michael Fogden will reply to the hon. Gentleman."

I should have thought that *Hansard*, in which you, Mr. Speaker have some interest, should be able to pass on the information, not just to Members of Parliament but to other interested people outside the House, especially the Low Pay Unit. I ask you to deplore the Government's growing practice of not answering questions but sending them to someone who is not a Minister or even a Member of Parliament. They ought to put an end to that practice.

Mr. Speaker: I think that I have the correct reference here. In answer to a question on this matter, the Prime Minister said that questions about agencies were passed to the chairman of the agency concerned.

Mr. Skinner: That is not good enough.

Mr. Speaker: Well, I think that that is the correct position.

Mr. Bob Cryer (Bradford, South): When agencies have been debated in this place, the Opposition have always asked who is going to answer for those agencies. In every case Ministers have asserted that there will be no diminution of responsibility to this House. They have said that Ministers remain responsible and inevitably that means that they are responsible for answering written and oral questions in this House. That is an important principle which none of us wants to see eroded, but the Government appear to be doing just that. Therefore, I invoke your support to prevent that, Mr. Speaker.

Mr. Speaker: It is a very important matter, and I should like to look into it to refresh my memory as to what has been said about it. I agree that questions to Ministers in the House should be answered. I am aware that some letters written to Ministers are transferred to the chairmen of agencies. That is a different matter from parliamentary questions.

Dr. John Cunningham (Copeland): Further to that point of order, Mr. Speaker. I welcome your statement that you are going to look at the matter. It is important that hon. Members pursuing constituency interests and other important matters of policy have the absolute right to answers to their questions from Ministers. Otherwise, the whole purpose of this House is nullified. It is a facet of Government behaviour at the moment that, in answer to questions and to letters about constituents, the responsibility is being deflected to agencies and civil servants in a way that I want to make clear the Opposition believe is unacceptable.

The Lord President of the Council and Leader of the House of Commons (Sir Geoffrey Howe): May I, by way of reply, draw the attention of the House to the fact that there have always been arrangements for questions on certain aspects of Government behaviour to be answered by the agencies concerned rather than by Ministers. That kind of balance has always been necessary to maintain a sensible distribution of the work load between Ministers and other Government agencies. The proposal for the establishment of agencies has in general been welcomed by all parties in the House. Obviously I will look, as you will, Mr. Speaker, at the point that has been raised, but it should be considered in that context.

Dr. Cunningham: Further to that point of order, Mr. Speaker. We cannot accept that. The Leader of the House says that the point is one of balance, but the point is that the balance is being altered. Whatever the Leader of the House may say about agreement about the creation of agencies, **there is no agreement about Ministers wriggling out of their responsibility for policy matters and deflecting questions to those heading the agencies.** That is a matter for the House. Questions should be answered directly between Ministers and hon. Members.

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000

DIRECT DIALLING 01-218 2111/3

MO 30D

31st July 1990

Dear Norman,

DEFENCE RESEARCH AGENCY

As you know, in response to the Government's Next Steps initiative we plan to establish in the spring of next year a Defence Research Agency comprising the four principal non-nuclear Research Establishments. Our intention, as I informed the House on 14th December 1989, is to form the DRA as a distinct organisation under the Secretary of State for Defence and to establish it as a Government Trading Fund as quickly as possible.

We attach considerable importance to the timely establishment of the DRA not only because it is a major contribution to Next Steps but because it presents a real opportunity for achieving better value for money spent on defence research and project support. We intend to establish an arms length trading relationship between the DRA and its customers, in MOD and elsewhere. The DRA will be funded by customers for the services it delivers and the Chief Executive will be given the authority, incentive and opportunity to provide a more efficient and effective service to its customers.

The Rt Hon Norman Lamont MP

Major changes in attitude, management, and procedures will be needed if we are to achieve this. There will be a considerable learning process during the early years; but the real benefits will only flow once a genuine trading relationship is established. Because the Trading Fund is so central to our thinking on the DRA, all our efforts have therefore been directed to achieving this from April 1991, when the Agency is due to be formed.

In the past few months, extensive work on the Trading Fund proposal has been undertaken by officials of our two Departments; this has included discussions and exchanges of working papers. My Ministers have been personally directing these activities within this Department.

Your officials and mine disagree on the timing of the launch of the DRA as an Executive Agency on a Trading Fund basis. This disagreement centres essentially on whether the risks of moving to a Trading Fund in April 1991 are acceptable or not. I believe we can meet our original target of a Trading Fund from April 1991; that such risks as may arise can be managed given goodwill and constructive action on both sides; and that simulation is no substitute for trading "for real". The two relevant Accounting Officers, who are members of my Steering Group, share that view.

I am sending a copy of this letter to the Prime Minister, David Mellor and to Sir Robin Butler.

Tom King

land on which to erect new premises to replace their present temporary accommodation. My right hon. Friend has no plans at present to visit Seaham.

Bomb Disposal (Training)

Mr. Brazier: To ask the Secretary of State for Defence how much it costs to train (1) an arms technician sergeant in bomb disposal, (2) a typical sergeant in the Royal Signals, and (3) a typical sergeant in bomb disposal of the RAF.

Mr. Archie Hamilton: The information requested by my hon. Friend is as follows: (1) £45,750, (2) £34,250 and (3) £57,500. In all cases these figures represent the accumulated costs of initial and subsequent training of a typical sergeant in the categories concerned, but they do not include the trainee's pay.

Royal Navy (Home Purchase Scheme)

Mr. Brazier: To ask the Secretary of State for Defence how much the Royal Naval home purchase scheme costs; and how much it will cost to increase it from £3,500 to £12,000.

Mr. Archie Hamilton: The estimated cost of the long service advance of pay scheme, used by married RN personnel to assist in house purchase, is £2·7 million for the current financial year. The extra net cost of raising the maximum advance available to £12,000 is estimated to be about £31 million over 10 years, of which the majority would be required in the first three years. This estimate takes no account of the effect of fluctuations in the housing market on demands for advances. The scheme is self-financing over the long term.

European Co-operative Long-Term Initiative

Mr. Cohen: To ask the Secretary of State for Defence how much money Her Majesty's Government have committed to the European co-operative long-term initiative for defence; for what purpose; whether it will be reviewed before any binding financial commitment is made; and if he will make a statement.

Mr. Neubert: In common with other IEPG nations, the Government have not yet committed money to the European co-operative long-term initiative for defence (EUCLID) programme and will not do so until details of the collaborative programmes have been fully identified. It is expected that money should start to be committed during the course of 1990, as the collaboration programmes are agreed. I refer to the reply given to the hon. Member for Meirionnydd Nant Conwy (Dr. Thomas) on 24 July 1989 at column *553*.

Research Agency

Mr. David Martin: To ask the Secretary of State for Defence what progress has been made towards establishing a defence research agency under the Government's next steps initiative; and whether any decision has yet been taken on its status within the public sector.

Mr. Neubert: Since my predecessor's statement to the House on 16 March 1989 on the intention to establish a defence research agency (DRA), Mr. Nigel Hughes has been appointed chief executive (designate) following open competition; an MOD implementation team is taking work forward, with the chief executive (designate), to develop the organisation, procedures and infrastructure that will be needed within both the MOD and DRA; and we have been consulting the trades unions.

My Department has been considering the status of the DRA and how best to secure the necessary change. For the new and sharper relationship required, between the customers for and suppliers of defence research and project support, the DRA will need to be clearly distinct from the rest of the MOD, run on businesslike lines and with a trading relationship with its customers in MOD and elsewhere. At the same time, it must continue to make its key contribution as an independent and objective source of scientific and technical advice, in support of defence equipment procurement and related matters.

I believe that the best way forward is to establish the DRA as a Government trading fund within the Civil Service as quickly as possible. This would take the form of a distinct organisation answerable to the Secretary of State for Defence. Work will now be concentrated on putting this into effect.

As my predecessor told the house, a final decision on the move to agency status will depend upon successful completion of this work. Our target date remains April 1991.

Nuclear Warhead Test (Nevada)

Dr. Thomas: To ask the Secretary of State for Defence what was the purpose of the nuclear warhead conducted jointly with the United States of America in Nevada on 8 December; what was the yield of the test; whether any radiation was released above ground from the test; whether any military operational staff were radiologically contaminated; and what was the cost to the United Kingdom of this nuclear test.

Mr. Alan Clark: Beyond confirming that the yield of the test was within the planned range of 20-150 kilotons, and assuring the hon. Member that there was no release of radiation (and hence no contamination of any personnel whatsoever), it is not our practice to answer questions of this nature.

WE-177 Bomb

Mr. Macdonald: To ask the Secretary of State for Defence if he will list the weapon systems being considered by Her Majesty's Government as a replacement for the WE-177 bomb.

Mr. Alan Clark: Discussions are taking place with both the United States and French Governments on options for the possible replacement of the WE-177 free-fall bomb.

Nuclear Missiles

Mr. Macdonald: To ask the Secretary of State for Defence, what discussions under the terms of the Anglo-United States agreement on the uses of atomic energy for mutual defence purposes of 1958, Her Majesty's Government have had with the United States Government concerning the Anglo-French co-production of nuclear air-to-surface missiles.

Mr. Alan Clark: Officials are discussing options for the delivery vehicle for the United Kingdom's future theatre

MR ANDREW TURNBULL

EFFICIENCY IN DEFENCE

I feel we owe you an apology. With previous reports by the Ministry of Defence on their 2.5% efficiency programme we have made comments available to No 10 within 24-48 hours of receipt of our copy.

Unfortunately, we never received from the MOD our copy of the latest report which you received two weeks ago. Hence the absence of any comments from us.

This is all the more annoying since we are in regular contact with the MOD on this matter and Angus Fraser discussed it with Tom King when he saw him earlier this month during his annual meetings with Ministers.

We have now received a copy of the report from MOD and there is nothing substantial we would wish to add to your minute to Simon Webb.

DON BRERETON
31 July 1990

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

From the Minister

CONFIDENTIAL

The Rt Hon Peter Lilley MP
Secretary of State for
Trade and Industry
1-19 Victoria Street
London
SW1H OED

27 July 1990

Dear Peter

FUTURE OF THE DEREGULATION INITIATIVE

Thank you for sending me a copy of your letter of 23 July to John Major in which you set out your proposals for further work on the Deregulation Initiative.

I agree that officials should now discuss these with a view to producing a generally agreed work programme by September. May I just make two points, however, one of which featured in John Redwood's letter of 26 June to Jean Trumpington.

He asked if we would reconsider our attitude to the use of the standard compliance cost assessment form about which there had earlier been much discussion. I am sure that you will be pleased to know that we are now prepared to use the revised form in view of the improvements that your Department has made in it, and on the understanding that there may be cases in which we cannot produce figures in the detail that we would both like.

Secondly, I notice that your officials will be inviting discussion on the "UK egg testing regime" and the "food safety controls". I am quite content that these matters should be discussed, but as Jean Trumpington indicated to John Redwood in her letter of 16 May, it is clear that measures to control salmonella are needed; and consultation is about to start with interested parties on the proposed Regulations under the Food Safety Act. On both these issues, therefore, there may not be much that our officials can usefully add.

/I am copying ...

CONFIDENTIAL

GOLDSMITH
Rayner Pt 34

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

Yours ever,

JOHN GUMMER



MANAGEMENT IN CONFIDENCE

file to
c\PPS\efficiency
bc A.D.

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

26 July 1990

EFFICIENCY IN DEFENCE

The Prime Minister was grateful to your Secretary of State for the report attached to his minute of 16 July. She has observed that, although the cumulative savings achieved in the first two years exceeded the target, the rate at which new efficiency gains are being generated appears to have fallen below the annual target of £330 m. a year. The effect of this is that, by the end of the current year, the third in the programme, both the level of efficiency improvements and the cumulative savings will have fallen below target. She hopes every effort will be made to achieve the original targets. Furthermore, she hopes that when NMS is introduced, the need for efficiency targets will remain in the forefront.

The Prime Minister has noted that 5 per cent of the savings are attributed to relocation. She believes that with nearly 60,000 MOD Civil Service posts in the South East, there is substantial scope in this area. She has been advised that only 4,000 of these posts are currently under review, a figure which struck her as rather low.

I am sending copies of this letter to John Gieve (HM Treasury), and to Sir Robin Butler and Sir Angus Fraser.

ANDREW TURNBULL

Simon Webb, Esq.,
Ministry of Defence.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

(1)

PRIME MINISTER

EFFICIENCY IN DEFENCE

Mr. King's latest six-monthly report contains a bullish account of progress with MOD's programme to improve efficiency. He claims, for example, that after two years MOD has exceeded the target. He reaches this conclusion in the following way. In the first year MOD were supposed to save 2½% of non-procurement expenditure, i.e., £330 m. In the second year, there was supposed to be a saving of a further 2½%, i.e., £660 m, making £990 m in the first two years. In the first year, £448 m were saved, and the second year the rate of savings had risen to £600 m making £1048 in total, i.e., £58 m more than the target.

There is another way of interpreting these figures which is not so favourable to MOD's case. By the second year, the level of costs is supposed to have been reduced by £660 m below what it would otherwise have been. Costs were actually reduced by £600 m. In short, the level of costs is £60 m higher than the target.

The difference between the two methods of calculation, i.e., the cumulative savings versus the level of costs, becomes very apparent in year three. By then MOD are shown to have fallen behind on either basis. The cumulative savings made are £1809 m versus a cumulative target of £1980 m; and the actual level of costs is £761 m lower than it would have been compared with a target of £990 m.

In short, MOD did extremely well in the first year, but have subsequently fallen below the rate of improvement sought.

One point to emerge from inspection of the source of the efficiency savings is that relocation accounts for just 5% of the improvements so far. Yet nearly 60,000 of MOD Civil Service posts are in the South East. Clearly there is a limit to the amount of relocation that is feasible. But at present MOD have

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

only 4,000 posts under review. This seems rather modest.

MOD claim that when the New Management Strategy (NMS) is introduced, the targets for improvements in efficiency will be generated rather than being imposed from outside. It will be important to ensure that efficiency targets do not simply become lost in the wash.

Agree I minute back:

- pointing out that while the cumulative target for savings has been met, the rate at which new savings are being generated is falling beind the target so that there will be a shortfall in the third year on both the level of costs and the cumulative savings.

- questioning whether the scope of MOD's relocation programme is sufficiently ambitious. - why only £,000 under review

- Stressing the need for efficiency targets to remain in the forefront when NMS is introduced.

AT

25 July 1990

jd c:\wpdocs\pps\defence

MANAGEMENT IN CONFIDENCE

MR TURNBULL

24 July 1990

EFFICIENCY IN DEFENCE

You asked for my comments on Tom King's latest six-monthly report.

These are:

1. **Progress is not as good as the report suggests**. MOD claim that the target over the first two years of the programme has been exceeded by £58 million. This appears to be a sleight of hand. In fact MOD have fallen short of the target by £60 million.

   Paragraph 8 of the detailed report makes this clear: baselines are not at present reset from year to year. The figure for savings achieved in 1989/90 of £600 million represents a cumulative 2 year total against a cumulative 2 year target of £660 million. It seems likely that the target for 1990/91 will not be hit either. Indeed the third year performance looks like showing an even further slow-down in progress.

2. **Some of the savings identified do not constitute efficiency improvements in the true sense of better management**. An example of this is the measure (Para 6 in Annex A) to cap the navy's use of fuel. This surely does not constitute an improvement in efficiency, merely a restriction of the navy's time at sea or speed.

3. **Some areas could contribute greater efficiency savings, but are actually contributing very little at present.**

Relocation, for example, accounts for just 5 per cent of the improvements so far. Yet nearly 60,000 of the MOD's civil service posts are within the South East. Clearly there is a limit to the amount of relocation that is feasible. But at present MOD have only 4000 posts under review: this seems somewhat modest.

4. **Care is required to ensure that the New Management Strategy (NMS) does not become a device for ensuring that efficiency targets become "lost in the wash".** There is just a hint of this in Para 8 of the detailed report. This suggests that "an adequate audit trail" will only be required in the transition to NMS. It is essential that there is an effective means of tracking progress on efficiency in perpetuity!

Conclusion

Overall this report suggests that the MOD is trying hard, but could do better.

I recommend that the Prime Minister:

- expresses disappointment that the cumulative target for the last two years has not been met, and does not look like being met in the third year;

- emphasises the need to try even harder to identify efficiency measures;

- notes that some of the efficiency measures identified (eg use of fuel by the navy) do not necessarily imply better management;

- questions whether the scope of the MOD's relocation

programme is sufficiently ambitious;

- stresses the need to have a continuing audit of MOD's efficiency performance beyond the transition phase to NMS.

D A Lewis

PP ANDREW DUNLOP

MANAGEMENT IN CONFIDENCE

FILE KK
CIPPS/Next
PPM

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

23 July 1990

NEXT STEPS INLAND REVENUE AND CUSTOMS AND EXCISE

The Prime Minister has seen the Chancellor's minute of 19 July and the draft attached.

The Prime Minister is disappointed that it has taken the Inland Revenue and Customs and Excise more than two years since the Government's announcement of the Next Steps policy to reach what are no more than statements of intent and, in the case of the Inland Revenue, an incomplete one. While the Prime Minister is content for the Chancellor of the Exchequer to proceed as he proposes, she would be grateful if the statement could include firm and if possible earlier dates for achievement of the changes in Customs and Excise and the Valuation Office. In the case of Inland Revenue, she has asked that the Chairman, in consultation with the Next Steps team, should bring forward to the Chancellor as soon as possible proposals for greater internal delegation and accountability within the main operations of the Inland Revenue, where she believes there is considerable scope for an imaginative and effective application of the Next Steps approach.

I am copying this letter to the Private Secretaries of the Minister of State, Privy Council Office, Sir Robin Butler, Sir Anthony Battishill, Sir Brian Unwin and Mr. Kemp

(ANDREW TURNBULL)

John Gieve, Esq.,
HM Treasury

MANAGEMENT IN CONFIDENCE

dti

the department for Enterprise

Prime Minister (2)

To note. A useful programme of work, by a small unit, to reduce the burden on industry.

RTHP 26/7

CONFIDENTIAL

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

The Rt Hon John Major
The Chancellor of the Exchequer
H M Treasury
Treasury Chamber
Parliament Street
LONDON SW1

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071-215 5623
Our ref PE5AQB
Your ref
Date 23 July 1990

Dear John,

FUTURE OF THE DEREGULATION INITIATIVE

E(CP) on 27 June (minutes attached) welcomed Nicholas Ridley's proposals for the future direction of the Deregulation Initiative, and I am now writing to take matters forward.

At E(CP) we agreed that a properly targeted work programme based on a more systematic analysis of the regulatory areas which caused difficulties to the business community should be drawn up, and that I should consult colleagues in preparing it. This letter is to initiate that consultation process, which I should like my officials in the central Deregulation Unit to carry forward through discussions with officials with other Departments with regulatory interests. To guide these discussions, officials will concentrate in particular on a number of key areas:

(a) disciplines for counting the compliance cost to business, notably in areas of increasing regulation such as environmental pollution and food safety;

(b) local authority performance of enforcement responsibilities;

(c) promotion of good regulatory practice in the EC;

(d) the administration of rules affecting the workplace, employment conditions, PAYE and national insurance;

(e) the regime for smaller businesses;

(f) the small investor;

(g) common business misunderstandings with VAT compliance;

Recycled Paper

(h) planning;

(i) the Data Protection Act;

(j) specific controls affecting certain types of businesses;

(k) international trade and exports

I enclose a list setting out the detailed items which I would propose for inclusion under each heading, and which my officials will be discussing with the departments concerned.

A programme including these broad headings would, I am convinced, be an earnest of our continuing commitment to supply-side liberalisation, which our discussion in E(CP) acknowledged to be a necessity, and form an excellent basis for the next phase of the Initiative, as well as having a wider appeal. It is a core around which I hope colleagues will build, by drawing on suggestions from their own Departments' Deregulation Units for further enhancements to the programme. It goes without saying that the key areas I suggested above cannot be exhaustive and should not circumscribe the work of the central Deregulation Unit. There are bound to be other issues which business will bring to the Unit's attention and which may need to be tackled. What is more, as we recognised in E(CP), the Unit will have a continuing task - in a world of increasing regulation - of ensuring that the future burden of proposed regulation is closely scrutinised.

In adopting this approach I have sought to adhered closely to the procedure decided upon in E(CP), and I hope that my colleagues will now see their way clear towards reaching agreement on the way ahead. I would like discussions with my officials to be completed by mid-September, and to produce the components of a generally agreed work programme. In line with the remit from E(CP), I would then propose to circulate the work programme to E(CP) colleagues for approval in correspondence before the next meeting of E(CP) (which I understand is likely to be in October). Once the programme had been agreed, I would then look forward to making a positive report to the Prime Minister on how the Initiative is to be carried forward.

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

Yours ever

Peter

Recycled Paper

ANNEX

DEREGULATION INITIATIVE PROGRAMME

(a) Disciplines for Counting the Compliance Cost to Business, Notably in Areas of Increasing Regulation such as Environmental Pollution and Food Safety

*1. To monitor and evaluate compliance cost assessments and their proper application in the policy-making process. (DU)

2. To prepare guidance on contribution of risk assessment to good regulatory practice across Whitehall. (DU with HSE and OGDs)

(b) Local Authority Performance of Enforcement Responsibilities

1. To evaluate local authority enforcement and improve consistency of practice by local authority enforcement officers. (DOE with OGDs)

2. To ease burden of local authority registration and inspection regimes on businesses by introducing multi-disciplinary (one stop) approach (eg pilot schemes for residential care and tourism developments). (DOE with other Departments)

(c) Promotion of Good Regulatory Practice in the EC

*1. To promote attention to good regulatory practice in the EC legislative systems by:

- pressing for improved fiches d'impact (DU)

- pressing for better consultations with business (especially small business) (DU)

*2. To mobilize business and official opinion in other Member States. (DU)

*3. To scrutinize draft EC legislation for its potential burden on business. (DU with OGDs)

*4. To identify with departments existing EC regulations which are burdensome on business. (DU with OGDs)

(d) The Administration of Rules Affecting The Workplace, Employment Conditions, PAYE, National Insurance

*1. To prepare integrated guidance for employers and individuals involved in flexible forms of work. (DU with IR, DSS and DOE)

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* work in progress

2. To prepare integrated guidance for the establishment of workplace creches. (DE and OGDs)

*3. To reduce burden of Community Charge Attachment of Earnings arrangements on employers. (DOE)

4. To eliminate need for multiple NIC exemption certificates for persons with more than one job. (DSS)

*5. Simplify NIC and PAYE administration for employers by completing alignment of technical definitions of earnings and by introducing scale charges/reasonable approximations for NICs. (DSS and Revenue)

(e) The Regime for Smaller Businesses

*1. To simplify statutory requirements for accounts of small companies. (DTI)

*2. To evaluate proposals for new forms of incorporation. (DTI)

*3. To introduce differential PAYE/NIC and VAT payment periods for the benefit of small businesses. (Revenue, DSS, Customs)

(f) The Small Investor

*1. To simplify requirements for prospectuses to make these more pertinent to the needs of small investors. (DTI)

(g) Common Misunderstandings with VAT Compliance:

1. To investigate and eliminate the most frequent VAT compliance misunderstandings by business eg wrongly recovering VAT on motor cars, failing to account for tax on one-off sales of capital equipment or equipment traded in. (Customs)

(h) Planning

*1. To simplify planning system by for example:

- removing need for planning permission for small-scale development by businesses (DOE)

- simplify the procedure for designating simplified planning zones (SPZs) and extending their scope (DOE)

- streamlining the procedure for planning appeals. (DOE)

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* work in progress

(i) Data Protection Act

*1. Follow up the interdepartmental working party report on the Data Protection Act, to reduce in particular the burdens of registration. (HO)

(j) Specific Controls Affecting Certain Types of Business

*1. Using analyses prepared by DU (where possible from information already supplied by departments) to identify at least 20 business licences which should be abolished. (DU with OGDs)

2. To review the principle of "unstimulated demand" and its implementation in the control of betting and gaming. (HO)

3. To secure evening opening of betting shops. (HO)

*4. To find ways of simplifying and improving the workings of the Financial Services Act, including implementation of changes permitted by amendments in the Companies Act 1989. (DTI)

5. To ensure that the UK egg-testing regime does not put UK eggs at an unnecessary competitive disadvantage compared with the growing proportion of imported eggs. (MAFF)

*6. To streamline the on-shore petroleum licensing scheme. (D Energy)

7. To rationalise the system of consents and licences from different authorities to work in tidal waters and designated areas on the Continental Shelf. (DTP and OGDs)

8. To ensure food safety controls on food producers and retailers are proportionate to the problem. (MAFF/DH)

(k) International Trade and Exports

1. To streamline immigration control at London Airports to reduce delays on visiting businessmen. (HO)

*2. Further streamline Export Licensing procedures. (DTI)

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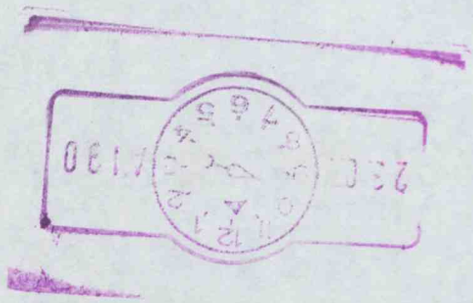
* work in progress



GOVT MACH
Rayner
Pt 34

chex.jp/kg/27 **MANAGMENT IN CONFIDENCE**

A

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

PRIME MINISTER

NEXT STEPS: INLAND REVENUE AND CUSTOMS AND EXCISE

I have been reviewing the best means of applying the Next Steps initiative to the Revenue Departments, building on a great deal of work, for which I am grateful, by the two Chairmen with the Project Manager. I should now like to make an announcement of my conclusions before the Recess.

In addition to its policy and advisory functions, each Department has significant executive functions and is therefore important in terms of our policy of improving management in the Civil Service through the creation of agencies. But they have three distinctive features which, in combination, have led me to the conclusion that the benefits of Next Steps can and should be achieved in these Departments in slightly different ways from the generality of the Agency programme. (Each, of course, has already made substantial progress in improving its management.)

First, each is a large major Department of State in its own right, dealing with the highly sensitive issue, in political and Parliamentary terms, of taxation.

Second, each already operates within a statutory framework which defines its tasks, and which carefully separates the responsibilities of Ministers on the one hand from those of the Chairmen and the Boards on the other. It is the Boards who are statutorily responsible for the care and management of the respective taxes. To that extent, therefore, they already possess

the independent responsibility in executive matters which, for agencies, is having to be created administratively.

Third, taxation policy and its administration are, in my view, so interdependent that it would be better to keep them together rather than separate them, in terms of agency and core department.

This combination of features has led me to the conclusion that we should not designate them as agencies in their entirety nor seek to divide their taxation work as between policy and execution. But we can implement our policy, very positively, in other ways.

Within the Inland Revenue I have decided that the Valuation Offices for England and Wales and for Scotland should be launched as a single executive agency, under a Chief Executive to be appointed by open competition. The offices employ over 5,000 staff and already operate as a discrete management unit. Agency status would allow the offices to give their managers more responsibility and would provide a basis for ensuring continued improvements in efficiency, effectiveness and accountability. Malcolm Rifkind, who has been consulted, has said he is content. I want to see the Valuation Office executive agency launched during 1991. In addition, the Inland Revenue is currently re-examining the organisation of its IT operations and agency status is one of the possible options.

The rest of the Inland Revenue already has well defined lines of management responsibility and internal accountability, both in its regions and local offices and its specialist units. But it faces a number of major structural changes in its business and the way that business is organised. For example, the decision to abolish composite rate tax means that the Revenue will need to deal with many millions more repayment claims than at present, with a new network of repayment offices throughout the country. There is also the prospect in the slightly longer term of merging the work

of the separate offices responsible for the assessment of tax with those responsible for the collection of tax. Pilot exercises are starting in the Autumn. This offers a prospect of a more efficient organisation, better fashioned to the needs of taxpayers and able to give an improved service.

For these reasons it would be premature at present to spell out in detail in a framework document the precise way in which the Revenue will be managed in future. But I have agreed with the Chairman that he will ensure that developing structural change will be based on a firm intention to delegate responsibility and increase accountability right down the organisation on Next Steps lines.

Customs and Excise will re-organise the bulk of its activity into executive units which will encompass about 95 per cent of its staff. The head of each unit will be appointed by the Chairman and have increased managerial and operational freedoms within a clearly defined framework of targets, responsibilities and accountabilities. These will be very similar to those for the executive agencies which have been created. The Chairman will draw up framework documents for each of the executive units and consider whether certain of them should become candidates for conversion into freestanding agencies. I have asked the Chairman to draw up an action programme for making these changes with the objective of making substantial progress in implementation by 1992.

The Project Manager and the Chairman agree with me that this is the right way forward now. Both Chairmen, for differing reasons, are anxious to have an announcement made before the Recess, and that would fit well with what I understand to be the supportive report on Next Steps which the Treasury and Civil Service Committee are likely to publish next Wednesday. Although there is a case for separate statements for each of these Departments, in

view of the differences between them in the way in which Next Steps is being applied to each department, I have concluded that as the basic reasons for the approach we are taking a similar in both cases, and that two statements would therefore simply lead to repetition, it would be better to have a combined announcement.

I therefore propose to make an announcement in terms of the draft ... attached on Wednesday, 25 July.

I am sending copies of this minute and enclosures to Richard Luce and Sir Robin Butler; and to Sir Anthony Battishill, Sir Brian Unwin and Mr Kemp.

Kate Gaselee

pp JOHN MAJOR
[approved by the Chancellor of the Exchequer and signed in his absence]

21 July 1990

DRAFT OF 19 JULY 1990

NEXT STEPS: JOINT STATEMENT ON INLAND REVENUE AND CUSTOMS AND EXCISE

DRAFT PQ

To ask Mr Chancellor of the Exchequer, if he will make a statement about the application of Next Steps to Inland Revenue and Customs and Excise.

DRAFT ANSWER

1. In February 1988 my rt hon Friend the Prime Minister launched the Next Steps initiative. In addition to their policy responsibilities, both Inland Revenue and Customs and Excise have significant executive functions, and they are therefore entirely suitable for applying the principles of Next Steps. I have now conducted a review with the Chairmen of Inland Revenue and Customs and Excise of the best way to do so.

2. Each department already operates within an individual statutory framework, which define the tasks of the Department and the relationship between the Chairman and the Board on the one hand and Treasury Ministers on the other. These arrangements will remain, but I have decided that it would be in the interests of the taxpayer, the public and the staff of the Departments to introduce changes which will enable them to operate fully on Next Steps lines. In particular I want to give greater impetus to enhancing internal accountability and delegation, consistent with the management of a tax system which needs to offer all taxpayers equality of treatment.

3. Following a review by Inland Revenue officials I have concluded that the Valuation Offices for England and Wales and for Scotland should be launched, during 1991, as a single executive agency under a Chief Executive who will be appointed by open competition. The Valuation Offices already operate as discrete management units and are responsible for negotiating the valuation of land and buildings for a variety of purposes for central and local government; the Valuation Office for England

and Wales also undertakes the valuation of business property for rating purposes. The Offices employ over 5,000 staff. Agency status for this work will increase the Offices' ability to focus on the work to be done and give their managers more responsibility and flexibility to carry out their task. These benefits should enable them to achieve continuing improvements in efficiency, effectiveness and accountability, and increase the commitment of staff to providing a high quality valuation service for their customers.

4. In its other work also the Inland Revenue has well-defined lines of management responsibility and internal accountability through its network of regions and local offices, and its specialist units. It operates a comprehensive system of performance targets which are published annually in its Management Plans with Departmental performance reviewed in the Board's Annual Report, and there is an extensive training and management development programme for staff. It is also tackling major changes flowing from recent reforms in the tax system and in the way it does its work. The Department will need great flexibility to cope with these changes. To this end it will be further extending internal delegation and accountability, and examining ways of re-shaping the structure and organisation of its work, all on Next Steps lines, so as to ensure that the Department continues to be responsive to the needs of taxpayers and provide a high level of service. I have asked the Chairman of the Inland Revenue to draw up and submit to me an action programme for this work.

5. The Inland Revenue is also reviewing the organisation of information technology in the Department, to determine what arrangements will best meet the needs of the Department throughout the 1990s. An announcement will be made in due course.

6. To the same ends Customs and Excise will reorganise the bulk of its activity into Executive units encompassing some 95% of its staff. The head of each Unit will be appointed by the Chairman and enjoy increased managerial and operational freedoms within a clearly defined framework of targets, responsibilities and

accountabilities. Key features are:

(i) there will be a published Framework Document for the Department, and a separate Framework Document for each Unit. The head of each Unit will be appointed by the Chairman and will be accountable to the Board;

(ii) the Customs and Excise Management Plan and the Board's Annual Report will contain progressively improved information about financial and other targets and outturns for the Board and for each Unit;

(iii) a radical change in the management of staff and their methods of conducting the Department's business, giving managers the maximum possible freedom to operate controls according to assessments of risk and local circumstances and to exercise local authority and discretion both in financial controls and operational systems;

(iv) new emphasis on the individual initiative and expertise of staff with an ambitious programme of management training and development; and

(v) further improvements in service, aimed at minimising burdens on business and the travelling public, and making significant improvements in the information and services the Department provides.

7. I have asked the Chairman of Customs and Excise to draw up an action programme for making these changes, with the objective of making substantial progress in implementation by 1992. The first step will be to publish the Departmental Framework Document in the Autumn. At the same time, the Department will publish the first individual Framework Documents in a series which will set out the objectives and responsibilities of each Executive Unit. The programme will be kept under review, and this will include consideration whether certain of the Units should become candidates for conversion into freestanding agencies.

8. Each Department has already made considerable progress in improving its management. But these are important changes. I am confident that operating fully on Next Steps lines the two Departments will deliver further significant improvements in the way they are managed, and, in turn, greater efficiency, better service to the public and enhanced commitment and enthusiasm from their staff.

Ref.AO90/1774

MR TURNBULL

Next Steps - Revenue Departments

The Prime Minister may like to have advice on the minute dated 19 July which the Chancellor of the Exchequer has sent her.

2. This minute and the draft announcement attached represents the present stage in a long series of discussions between the Project Manager, the Treasury, the Inland Revenue and Customs and Excise as to the application of Next Steps to the two Revenue Departments. Together these come to nearly 100,000 staff - 1 in 5 of the Civil Service - and are obviously important not just in their own right, but to the effective implementation of Next Steps.

3. The Revenue Departments have been two of the most difficult areas of the Civil Service to which to apply Next Steps - not because of their functions which are well suited to the Next Steps approach but because of their statutory independence and the "hands off" attitude of the previous Chancellor of the Exchequer. So it has taken over two years to get even as far as this statement of intent; and even now the statement includes three uneven elements:-

- Customs and Excise will embrace Next Steps by way of the creation of "Executive Units" which will cover about 95 per cent of their business. These will be in very many respects Next Steps Agencies, although Customs (and indeed the Revenue too) are reluctant to use that term. Mr Kemp's and my view is that Customs are going about it the right way and that the changes proposed will bring real benefits to management there;

- in the Inland Revenue for the Valuation Office there will be a straightforward Executive Agency;

- however, for the heartlands of the Revenue (some 60,000 people) we have no more than a very broad statement of the present position. It is proposed that the Chairman should produce an action programme and submit it to the Chancellor, but it is not at all clear what will be in that programme. Mr Kemp's view is that there is no reason why the Executive Unit approach adopted in the Customs and Excise should not be adapted for the Revenue, but Sir Anthony Battishill is unwilling to go this far at this stage.

4. My recommendation, therefore, with which the Project Manager concurs, is that the Prime Minister, while endorsing the way forward that the Chancellor proposes, on the basis of the draft statement he proposes to make, should express surprise that it has taken the Revenue Departments so long to reach this point and should make it clear that she expects to see early plans for the effective application of the Next Steps approach to the main operations of the Inland Revenue.

5. A draft minute which you may like to send to the Chancellor's Private Office is below.

6. I am copying this minute to the Minister of State, Privy Council Office, and Mr Kemp.

R.E.R.B.

ROBIN BUTLER

20 July 1990

DRAFT MINUTE FOR PRINCIPAL PRIVATE SECRETARY TO SEND TO:

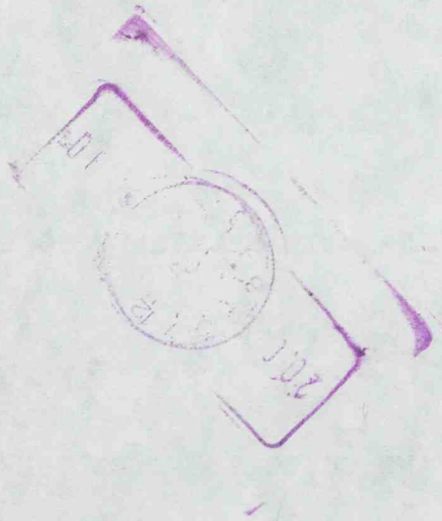
PS/CHANCELLOR OF THE EXCHEQUER

NEXT STEPS INLAND REVENUE AND CUSTOMS AND EXCISE

The Prime Minister has seen the Chancellor's minute of 19 July and the draft attached.

The Prime Minister is ~~astonished~~ disappointed that it has taken the Inland Revenue and Customs and Excise more than two years since the Government's announcement of the Next Steps policy to reach what are no more than statements of intent and, in the case of the Inland Revenue, an incomplete one. While the Prime Minister is content for the Chancellor of the Exchequer to proceed as he proposes, she would be grateful if the statement could include firm and ~~preferably~~ if possible earlier dates for achievement of the changes in Customs and Excise and the Valuation Office. In the case of Inland Revenue, she has asked that the Chairman, in consultation with the Next Steps team, should bring forward to the Chancellor as soon as possible proposals ~~She would, however, like to have a very early sight of the proposals of the Chairman of Inland Revenue~~ for greater internal delegation and accountability within the main operations of the Inland Revenue, where she believes there is considerable scope for ~~which she will expect to show~~ an imaginative and effective application of the Next Steps approach.

I am copying this to the Private Secretaries of the Minister of State, Privy Council Office, Sir Robin Butler, Sir Anthony Battishill, Sir Brian Unwin and Mr Kemp.



PRIME MINISTER

NEXT STEPS: REVENUE DEPARTMENTS

The Chancellor's minute (**FLAG A**) sets out his proposals for applying Next Steps principles in Revenue Departments. He would like to make an announcement next week. To a large extent, the Revenue Departments are already agencies, separating the responsibilities of Ministers and Boards as called for in the Next Steps initiative. But they are both large departments, Inland Revenue employing 67,000 and Customs and Excise 27,000. The issue is, therefore, about the creation of separate units and delegation within them. In this respect Customs and Excise plans are more advanced as they propose to create "Executive Units" covering 95 per cent of their business. Inland Revenue proposes to turn the Valuation Office into an agency but for the bulk of its staff its plans are still sketchy. The Chancellor argues that this reflects the uncertainty created by major structural changes in the tax system such as the abolition of Composite Rate Tax.

Sir Robin Butler's minute (**FLAG B**) is critical of the progress made, partly because it has taken a good deal of time to get even this statement, and partly because the future plans are still not very specific, particularly in the case of Inland Revenue.

He invites you to send back a very recriminatory minute. Although I think there is substance to his concerns, I would not advise you to send a minute drafted in quite this way.

i. It ignores the fact that, in relation to the rest of Whitehall, the Revenue Departments have made good progress in improving their management and efficiency. Customs and Excise has been one of the pioneers in developing the management plans and performance targets called for in the Financial Management Initiative. The Inland Revenue has introduced one of the most successful computerisation programmes ever.

ii. Inviting the Inland Revenue to submit its proposals direct to you has the effect of making it easier for the Chancellor to stand aside. A better way to proceed is to require the Revenue Departments to submit proposals to the Chancellor who will then be accountable to you, e.g. through one of your VFM seminars. In this way he cannot escape being involved.

I have marked on a draft letter some proposed amendments.

Content for me to minute in this way?

Yes - much better

Patricia A Parkin
Duty Clerk.

M. ANDREW TURNBULL
20 July 1990
c\wpdocs\pps\rd.kw

1. DM to note 2 NDPM

A ✓

cc Miss Sandars

MAFF

Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH
~~XXXXXXXXXXXXXXX~~
071-270 8709/8667

From the Minister's Private Office

MANAGEMENT IN CONFIDENCE

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
London
SW1A 2AA

18 July 1990

Dear Andrew

FUTURE ORGANISATION OF ADAS

Thank you for your letter of 16 July.

My Minister was grateful for the Prime Minister's agreement to his broad approach and is quite happy to accept her suggested words on the question of eventual privatisation.

He is further content that objectives for cost recovery in the period beyond 1993/94 should be considered during the current public expenditure survey round. The aim would be to agree on the broad timescale for movement towards full cost recovery for advisory work.

Subject to any comments which reach me by Friday 20 July, my Minister therefore proposes to make the announcement in the form set out attached. He proposes to arrange for the question to be tabled on 24 July and answered on 25 July.

I am copying this letter to the Private Secretaries to Members of E(A) and to Sir Robin Butler.

Yours sincerely

Andy

A J Lebrecht
Principal Private Secretary

MANAGEMENT IN CONFIDENCE

DRAFT PARLIAMENTARY ANNOUNCEMENT: FUTURE ORGANISATION OF ADAS

QUESTION

To ask the Minister of Agriculture, Fisheries and Food what plans he has for organisational developments within ADAS.

ANSWER

I have reviewed the options for the future organisation of the Agricultural Development and Advisory Service (ADAS). As I announced in a reply to my Hon Friend, the Member for Ludlow, on 26 February, the Central Veterinary Laboratory and the Veterinary Medicines Directorate became executive agencies from 2 April 1990. The State Veterinary Service will transfer from ADAS to the Ministry's Food Safety Directorate on 1 August 1990.

The Central Science Laboratory of the Research and Development Service (RDS) is largely engaged on work directly supporting Government policies, particularly on plant health, environmental and wildlife issues. I have concluded that this laboratory is not a candidate for privatisation but that it should be established as a separate executive agency.

The Farm and Countryside Service (FCS) is engaged to a substantial degree on providing consultancy and other services to farmers and others. The aim is that these commercial services should achieve full cost recovery in due course. The FCS also provides important services to support various areas of the Government's policy work. It is important that a commercial framework and incentives should be established for this work undertaken for Government.

I have therefore concluded that the FCS, together with the Experimental Husbandry Farms and other units in the Field R & D

Division of the Research and Development Service, should be established as a separate agency with the intention that it will as soon as possible become a trading fund. The Government believes that privatisation could, in the longer run, be the logical development for such an organisation.

I am arranging for detailed studies to be put in hand to define precisely the functions to be undertaken in each of the two new agencies and the arrangements for ensuring that full collaboration is maintained between them. It is my intention that both the CSL and the FCS/RDS Field R & D Division should achieve agency status by 1 April 1992. The drafting of the Agency Framework Agreements will also be carried forward.

My Rt Hon Friend, the Secretary of State for Wales, and I will consider what arrangements for the FCS might apply in Wales.

These changes will have important implications for the organisation of the Ministry, including particularly the regional and divisional organisation. I am therefore commissioning an internal review of the organisation needed to undertake the other functions of the regions and divisions.

MANAGEMENT IN CONFIDENCE

NBH

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

The Rt Hon John Gummer MP
Minister for Agriculture, Fisheries and Food
Whitehall Place
LONDON
SW1A 2HH

18 July 1990

Dear John,

FUTURE ORGANISATION OF ADAS

Thank you for copying to me your minute of 5 June to the Prime Minister.

Northern Ireland arrangements are different from those in England and Wales and are, in some ways, akin to the system in Scotland. Advisory, education and training, and R&D services are integrated within the Department of Agriculture and this has proved an economical and effective system to meet the needs and structures of the agri-food industry in Northern Ireland.

We have been seeking to encourage the various sectors of the industry here to do more for themselves and make a greater contribution to the funding of Government services. We have privatised parts of the service, for example, AI Services, Pig and Beef Carcass Classification Services. We have contracted out services where appropriate, for example, catering and grass cutting, and have introduced appropriate charges for services supplied by Government where there is a benefit to the individual.

This approach is suited to the Northern Ireland situation and I do not propose to change the present arrangements at this time. I will, however, watch with interest developments on your ADAS proposals and keep the Northern Ireland practice under review.

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

Yours ever

Pym

PB



MO 8/14D

PRIME MINISTER

EFFICIENCY IN DEFENCE

I attach the latest six-monthly report to you on progress with the Ministry of Defence's programme to improve efficiency. Over the first two years of the three-year programme that we embarked on in 1988 we have exceeded the target; the current third year is tougher still, but we are well advanced.

2. We have hitherto had to conduct and monitor all this by special ad hoc arrangements. From 1st April next the efficiency gains will be an integral part of our New Management Strategy, aligning command and financial responsibility in a comprehensive system of devolved budgets. Making this massive reform at a time when our programme is inevitably under review (and our key staff thus under pressure) has its problems. NMS has however a vital part to play in delivering long-term value for money, and we are determined to press ahead with it on schedule. If anything, the fact that programmes are changing in the new security situation makes it more necessary, not less.

3. Alongside NMS we are pushing forward with Next Steps, both in the Meteorological Office and Defence Research Agency, and in the Defence Support Agencies which necessarily remain within the Defence chain of command.

4. As we adjust our policy and programme we need to ensure that the support area is adjusted and slimmed to reflect fully whatever changes we decide to make in the front line. I have asked the

Minister of State for the Armed Forces to supervise a special study to ensure that we look at this radically and on a tri-Service basis, following the Next Steps approach where we can.

5. I have recently reviewed all aspects of our efficiency effort in a useful discussion with Sir Angus Fraser, to whom I am copying this minute. I am also sending copies to the Chancellor of the Exchequer, and to Sir Robin Butler.

(T K)

16th July 1990
Ministry of Defence

MANAGEMENT IN CONFIDENCE

THE MINISTRY OF DEFENCE'S 2.5% EFFICIENCY PROGRAMME: FOURTH REPORT TO THE PRIME MINISTER (SUMMER 1990)

Achievements in 1988/9 and 1989/90

1. Achievement in the first two years has been re-assessed in the light of a special audit. At 1990 prices, the final achievement for 1988/9 was £448M against the target of £330M, and the provisional figure for 1989/90 is £600M against the target of £660M. Achievements for the first two years taken together have thus exceeded by £58M the combined objective. The cumulative target for 1990/1 is £990M; at 30 June 1990 measures totalling £761M had been identified.

2. The contribution of the five management areas to the figures (again net of spend-to-save measures) is as follows:

£M at LTC 90 Prices

	1988/9		1989/90		1990/1	
Area	Target	Achievement	Target	Achievement	Target	Measures Identified
Navy	84	93	168	182	252	256
Army	117	187	235	223	353	245
Air Force	96	147	190	157	285	188
PE	22	16	45	22	67	50
Centre	11	6	22	17	33	24
TOTALS	330	448	660	600	990	761

3. These figures are net of investment in "spend-to-save" measures designed to increase efficiency later on; the "gross" efficiency figures are higher by £125M in all - £25M in 1988/9, £42M in 1989/90 and £57M in 1990/1.

Analysis of Efficiency

4. By Category. An analysis, by category, of the efficiency improvements achieved in the first two years of the programme is at Annex A. The proportion of efficiency savings in each category is summarised below:

Category	Proportion of Total Savings (%)
Contractorization	4
Changes in Manpower Mix	4
Organizational Changes	23
Rationalization	12
Re-location	5
Utilities and Energy Conservation	2
ADP and Information Technology	1
Asset Management	35
Design and Engineering	2
Procurement Improvements (excluding capital equipment procurement)	1
Capacity Management	10
Entrepreneurial Activity	1

5. Input:Output Ratio. Input efficiency still accounts for about 80% of assessed achievement. It is easier to measure than output enhancement, but the increasingly demanding efficiency targets cannot in practice be met by input reduction alone. Our broad planning aim for the input/output ratio is to come down from 4:1 to 2:1 by 31 March 1995. We continue to work on the problems of measuring output efficiency.

Efficiency Under the New Management Strategy

6. The implementation of the New Management Strategy (NMS) from 1 April 1991 will fundamentally change methods of management, financial reporting and control. Once the new systems are bedded in properly and their full potential is realised, we shall aim to maintain the same high levels of efficiency improvement sought in the first three years of the programme. NMS will also provide a better vehicle for measuring productivity, leading to sharper focus on output improvements within tightly-set budgets; and managers will have wider increased discretion on how they meet their targets. Machinery for monitoring progress can also be streamlined.

7. The efficiency programme will form an integral part of the budget-setting and management planning process. Detailed procedures are now being designed for setting efficiency targets, derived from the Departmental Plan and meeting in aggregate the Department's overall commitment, for the twenty-one Top-Level-Budget holders. These will in turn sub-allocate them to subordinate budget holders, including Defence Support Agencies set up under the Government's Next Steps programme.

8. As the original three-year 2.5% cumulative efficiency programme is absorbed into NMS, the budget-setting process will be able to reset baselines from year to year. It will then no longer be necessary or appropriate to maintain in each area the present cumulative framework; instead, managers will be required to measure the annual incremented change in efficiency value from one year to another. This will relieve them of the burden of continuing to record measures which have been overtaken by events or have reached a steady state - deadwood will automatically be removed from the system. An adequate audit trail will be laid between the pre- and post-NMS phases of the efficiency programme to ensure that there is no relaxation of impetus.

ANNEX A

ANALYSIS BY CATEGORY

Contractorisation

1. Efficiency improvements in this area include contractorization of whole units or tasks within units, and privatization. Examples in the last two years include the introduction of contract catering in Naval shore establishments and contractorization of some firing ranges in the PE; these particular measures have realised savings in 1988/89 and 89/90 of £1.9M and £3.6M respectively. Over two years of the programme, contractorization has contributed about 4% of the total of efficiency savings found to date.

Changes in Manpower Mix

2. A number of efficiency improvements as a result of changes in the manpower mix, including 'civilianization', 'militarization' and greater use of reserves have been achieved. These include, for example, increased employment of dependents in BAOR in place of German civilians (a total saving of £12.6M in 88/89 and 89/90) and civilianization of 200 posts at various RAF units (£1M saving in 89/90). On average, changes in the manpower mix account for about 4% of the efficiency savings to date.

Organizational Changes

3. There have been a number of organizational changes which have led to efficiency enhancements, including output or

productivity improvements, the reduction in manpower numbers flowing from the 're-prioritization' of tasks and other structural changes. For example, some £25M of efficiency improvements in 88/89 and 89/90 have come about as a result of reductions in Naval manpower without loss of output. Organizational changes have contributed about 23% of the overall efficiency savings found to date.

Rationalization

4. Rationalization improvements have been achieved in estate management by rationalizing functions (including bi-Service or tri-Service), thereby releasing estate for disposal. These include consequential reductions in staff, utilities and maintenance. An example of such improvements is the site rationalization carried out by the Procurement Executive extending to the sale of 1481 acres (including Westcott, Waltham Abbey, Christchurch, Teddington and Glen Fruin), which has resulted so far in net savings of just over £1M, with further net savings of about £14M expected over the next five years. (The net savings are derived from the gross receipts from the land sales, together with consequential savings on utilities etc, offset by any costs incurred as a result of the rationalization eg the cost of new facilities required at the new site, costs of transferring personnel etc.) To date rationalizations have accounted for about 12% of efficiency improvements.,

Relocation

5. Efficiency has been achieved from relocation of staff from

London or the South East to lower cost areas, thus saving on staff costs while also releasing the civil or defence estate for disposal. For example, the re-deployment of the Joint Services Air Trooping Centre from Hendon led to savings of £34M in 88/89 following disposal of the site, and the relocation of the PE's Quality Assurance staff from London and the South-East to Stockton-on-Tees is expected to produce savings in manpower of £0.4M up to 94/95. On average, it is estimated that relocation has contributed about 5% to efficiency improvements to date.

Utilities and Energy Conservation

6. Savings have been achieved by economising in the use of utilities and energy (for example the capping of the rate of fuel usage in the Navy has resulted in savings of £15M during 88/89 and 89/90). Spend to save measures in this area have also contributed towards efficiency improvements; for example, in the RAF where £0.064M is to be spent on an ADP Energy Management System for its Command Headquarters, which is expected to produce savings of £0.16M in 90/91. On average about 2% of efficiency improvements have been made through utilities and energy conservation.

ADP and Information Technology

7. Improvements in ADP and Information Technology have achieved a number of efficiency savings (for example, the phased introduction of IT systems within the PE's contracts areas has resulted in savings of £0.85M in 88/89 and 89/90). Although there have been several efficiency improvements arising from the introduction of IT systems, the financial savings which have

accrued have been of relatively low value and, overall, ADP and IT have contributed about 1% of the overall efficiency savings found to date.

Asset Management

8. Efficiency improvements have been found through better asset management; for example, longer periods between ship refits, planned work and maintenance, and reductions in the scope of tasks and stock holdings. Thus, efficiency improvements of £0.6M in 89/90 have arisen (with further savings of £.6M per annum forecast) as a result of extending the period between major servicings of Hercules aircraft; and to date £7.2M has been saved (with further savings of over £5M per annum forecast) by improving the management of the Royal Navy's training at sea. In total, about 35% of efficiency improvements have resulted to date from better asset management.

Design and Engineering

9. Changes to equipment or equipment design have resulted in efficiency improvements through longer equipment life and reliability. For example, in the Army, an improved design has increased the shelf life of nuclear biological chemical (NBC) suits, thus producing total savings of £17.9M in 88/89 and 89/90. Design and engineering changes have contributed about 2% of the overall efficiency savings found to date.

Procurement Improvements

10. Excluding capital equipment procurement, which is the subject of a separate exercise by the Chief of Defence

Procurement, procurement improvements have accounted for just under 1% of efficiency improvements in the last two years. Changes in methods of purchase, and the sources or timing of procurement to gain better prices have been made, thus producing efficiency savings. Better use of competition in purchasing engine module containers for Tornado aircraft for example, has accounted for £0.117M of efficiency enhancements in 89/90.

Capacity Management

11. Improved planning of throughput and loading and greater utilization of existing resources have produced productivity improvements. For example, greater utilization of the Army's driver training facilities has led to improvements of £0.22M in 88/89 and 89/90. In other instances ceilings have been placed on input costs but output has been maintained. To date, better capacity management has accounted for about 10% of efficiency improvements.

Entrepreneurial Activity

12. Greater civil use of the defence estate or Service facilities has contributed to the efficiency programme. For example, the sale of operational ration packs has increased net receipts by £0.272M in 88/89 and 89/90. Entrepreneurial activity has contributed under 1% of efficiency enhancements to date.

MANAGEMENT IN CONFIDENCE

FILE KK

bc Miss Sinclair

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

16 July 1990

Dear Andy.

FUTURE ORGANISATION OF ADAS

The Prime Minister has seen Mr. Gummer's minute of 5 June and the subsequent exchanges with colleagues. She agrees that, for the time being, the right course is to move ADAS (minus the Central Service Laboratories) to Agency status. She feels however, that the Government should establish a presumption in favour of eventual privatisation. She wishes, therefore, to go further than saying merely that "The possibility of privatisation would be considered again in a few years in the light of circumstances at the time." She suggests something along the lines of "The Government believes that privatisation could, in the longer run, be the logical development for such an organisation." This would establish the presumption without committing the Government irrevocably either on principle or on timing.

The Prime Minister has noted that the objectives for cost recovery have still to be settled. She hopes this can be resolved in the Public Expenditure Survey.

I am copying this letter to the Private Secretaries to Members of E(A) and to Sir Robin Butler.

Yours sincerely

Andrew Turnbull

(ANDREW TURNBULL)

Andy Lebrecht, Esq.,
Ministry of Agriculture, Fisheries and Food.

MANAGEMENT IN CONFIDENCE

KK.

MANAGEMENT IN CONFIDENCE

DRAFT PARLIAMENTARY ANNOUNCEMENT: FUTURE ORGANISATION OF ADAS

QUESTION

To ask the Minister of Agriculture, Fisheries and Food what plans he has for organisational developments within ADAS.

ANSWER

I have reviewed the options for the future organisation of the Agricultural Development and Advisory Service (ADAS). As I announced in a reply to my Hon Friend, the Member for Ludlow, on 26 February, the Central Veterinary Laboratory and the Veterinary Medicines Directorate became executive agencies from 2 April 1990. The State Veterinary Service will transfer from ADAS to the Ministry's Food Safety Directorate on 1 August 1990.

The Central Science Laboratory of the Research and Development Service (RDS) is largely engaged on work directly supporting Government policies, particularly on environmental and wildlife issues. I have concluded that this laboratory is not a candidate for privatisation but that it should be established as a separate executive agency.

The Farm and Countryside Service (FCS) is engaged to a substantial degree on providing consultancy and other services to farmers and others. The aim is that these commercial services should achieve full cost recovery in due course. The FCS also provides important services to support various areas of the Ministry's policy work. It is important that a commercial framework and incentives should be established for this work undertaken for Government.

I have therefore concluded that the FCS, together with the Experimental Husbandry Farms and other units in the Field R & D

Division of the Research and Development Service, should be established as a separate agency with the intention that it will as soon as possible become a trading fund.

Replacing [I would expect that the question of whether the FCS should be privatised will need to be reconsidered in a few years' time.]

I am arranging for detailed studies to be put in hand to define precisely the functions to be undertaken in each of the two new agencies and the arrangements for ensuring that full collaboration is maintained between them. It is my intention that both the CSL and the FCS/RDS Field R & D Division should achieve agency status on 1 April 1992. The drafting of the Agency Framework Agreements will also be carried forward. My intention is that both of these new agencies should achieve agency status on 1 April 1992.

My Hon Friend, the Secretary of State for Wales, will consider what arrangements for the FCS will apply in Wales.

These changes will have important implications for the organisation of the Ministry, including particularly the regional and divisional organisation. I am therefore commissioning an internal review of the organisation needed to undertake the other functions of the regions and divisions.

The Government believes that privatisation could, in the longer term, be the logical development for such an organisation.

Prime Minister
The current draft of the announcement is at Flag B. Agree ADAS becomes an agency but that a stronger pointer is given towards privatisation, substituting the sentence at X for that in the draft? The question of cost recovery can be pointed out in PES.

MANAGEMENT IN CONFIDENCE

PRIME MINISTER 13/7 Agreed MG **11 July 1990**

I should be grateful if John Gummer could go this far. I realise we are making a lot of agricultural changes but this seems reasonable MG

FUTURE ORGANISATION OF ADAS

, Flag A

John Gummer has minuted saying that while logic points to privatising ADAS (except for the Central Service Laboratories), political considerations point to agency status instead this side of an election. Privatisation would require legislation, and would be unpopular with some farmers.

John Gummer's political judgement is probably correct. But it is important to make it clear that the Government believes that privatisation would be right in the longer term, once ADAS has gained experienced of operating commercially as a trading fund. He needs a firm steer.

BACKGROUND

The Ministry of Agriculture has been thinking about the future of ADAS for at least two years. It accounts for nearly half of the Ministry's total numbers. But it is clearly an anachronism. No one would now set up a body of civil servants to advise a particular industry on best practice.

A year ago there was extreme nervousness about any change. Senior officials were not even willing to go for agency status. Like Scheherezade, they told different tales to fend off the evil day.

Things began to move after John Gummer's arrival. Last December he told you during the Value for Money presentation that he

intended to privatise ADAS. He still believes that this would be right, but his view has been tempered by the following:

- Privatisation of ADAS will be criticised by some farmers who are wedded to the post-war arrangements. John Gummer is a bit nervous of courting unpopularity on this front while he is trying to edge the Milk Marketing Board to opt to turn itself into a voluntary co-operative.

- There is some justified doubt about the ability of ADAS to move to privatisation in one bound. It is not yet a trading fund, and its experience of charging for some of its services is limited. The present costing arrangements leave something to be desired. No one has yet worked out how the Ministry would buy from private sector consultants the advice which it now gets from ADAS.

TREASURY VIEWS

Norman Lamont has written agreeing reluctantly that privatisation in the immediate future is not a runner. But he argues:

- that the announcement about agency status should make it clear that privatisation is the long term objective;

- that we should impose a more exacting target on cost recovery to encourage the development of the commercial skills which ADAS will need to survive in the private sector.

John Gummer has come back saying 'no' on both points.

COMMENT

It is irritating that procrastination by MAFF officials has led to so much time being wasted. A year ago it would have

been much easier to contemplate the legislation necessary for privatisation. And had there been real will, the problems - such as how the Ministry will get advice after privatisation - could have been resolved by now.

But given that we are where we are, agency status looks the best course provided it is clearly a step towards privatisation in a few years time. John Gummer's political nervousness is probably excessive. Those farmers who oppose any change will not be reassured by his suggested statement that 'Ministers would expect to reconsider at a later date whether the organisation should be privatised'. Those who are indifferent, or who positively favour privatisation, will not react badly to a firmer statement. Many farmers already use private sector consultants in preference to ADAS.

Because of official resistance to change within the Ministry, it is essential to pin them down to a public commitment to privatise in the longer run.

CONCLUSION

John Gummer should make the announcement about ADAS in something like these terms:

> "We shall be looking to the Farm and Countryside Service of ADAS to develop its commercial activities within the framework of an agency which will be structured to give maximum encouragement to commercial developments and innovations. The move to agency status would be designed to enable the creation of a modern organisation servicing both commerical and government customers. The Government believes that privatisation could, in the longer run, be the logical development for such an organisation.

On cost recovery, it would be worth supporting the Treasury's argument about the need for exacting targets on cost recovery

in general terms. In practice it does look difficult to tighten the targets within the next three years. The Treasury could live with a commitment to tighten them after 1993-94.

RECOMMENDATION

- John Gummer should state firmly that privatisation of ADAS is the long term objective, on the lines sketched out above.

- He should accept a general commitment to more exacting cost recovery targets as a way of encouraging the necessary commercial skills within ADAS. Timing should be discussed with the Teasury.

This can be sorted out in PES.

Caroline Sinclair

CAROLINE SINCLAIR

At no return. Copy?

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

From the Minister

MANAGEMENT IN CONFIDENCE

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

10 July 1990

Dear Chief Secretary

FUTURE ORGANISATION OF ADAS

I am grateful to you and to other colleagues who have responded to my minute of 5 June to the Prime Minister on this subject.

I have to say, however, that I cannot accept the two points you have put to me as your basis for agreeing to an announcement about the future of FCS. Despite the discussions between our officials, your letter does not seem to me to properly reflect the present position. In a little over three years, the Farm & Countryside Service has transformed itself from being a completely free service to one that charges for most of its services to farmers and growers. During this period, the FCS has achieved a great deal more than anyone could have expected. Income from advisory and consultative services last year was £11.6 million, which is about twice the estimate of the total market for such services which was made by the market researchers we employed in 1985.

But the fact that this much has been achieved does not mean that it is going to be an easy task to achieve the existing targets. Far from it. The ADAS Commercial Plan, of which your officials have a copy, indicates that to achieve the agreed 50% cost recovery target in 1993/94, income from charges for advisory services needs to double in real terms. In order to achieve the target, we see the need to remove as many as 400 posts over the next three years - 200 posts next year and a further 200 in the succeeding two years. We shall in the process be slimming down the number of posts devoted to chargeable advice by some 30%. It is going to be a major task to bring about this scale of reduction on top of the cutbacks that have already taken place.

If we were, as you suggest, now to shift the goalposts and demand a higher level of cost recovery over the next three years, we should certainly have to face an even bigger cutback in the number of posts in the FCS. There is already inevitably a great deal of uncertainty and concern among the staff about the future of the organisation and we have been losing some of the more able people to whom an agency or a privatised FCS would need to look for leadership. To demand now a higher level of cost recovery would seriously undermine morale and the future viability of the whole organisation.

As I explained in my minute to the Prime Minister, it is also important to recognise that the commercial work takes up only about two-thirds of the total activity of the Farm & Countryside Service. The remainder of the resource supports the work of MAFF in wide variety of policy areas. It is very important that we retain the capability to undertake policy related work which the Service currently provides. In his letter of 15 June, Chris Patten referred to the provision of non-chargeable advice to farmers on conservation and rural diversification. The environmental work of FCS is an area of growing importance. The FCS staff are heavily involved, for example, in implementing schemes such as those for environmentally and nitrate sensitive areas. We simply could not operate these schemes without a nationwide technical capability. Under an agency arrangement, we could be certain that such a capability would continue to be available to us. I am not saying that we could not buy this capability in from a privatised organisation. But that would depend on whether the privatised organisation was there on a sufficient scale on a nationwide basis. We need to give more thought to this and get outside advice before making firm statements about future privatisation.

I do not think it would be right now to make a definite statement about privatisation as a long-term objective. It is surely not managerially sensible to seek an immediate solution in an agency while announcing that this is merely a stop-gap. Even if we were in a position to decide to go for the logical course of privatisation, we would need to carry out further studies and get outside advice before we could be sure that this was a feasible course to follow. It would not, therefore, in my judgement be sensible at this stage to make firm policy statements of the sort that you suggest. But I recognise that we are bound to be pressed on this and I would be ready to agree that we should include a reference to privatisation in the statement. I would be prepared to say that Ministers would expect to reconsider at a later date whether the organisation should be privatised.I very much agree too that the agency should be set up now in ways that would not hinder any future decision to privatise.

I understand that my officials are in touch with Welsh Office officials and are close to an agreement that will deal with the matters raised in David Hunt's letter of 21 June.

I hope in the light of this letter that you will accept that we must not prejudice the long-term viability of the Service which will be of continuing importance to Government. The Service has a hard task to reach the existing targets even with the greater

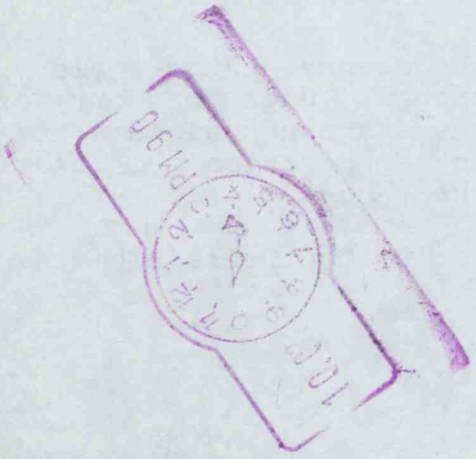
flexibilities which I would hope an agency status would provide. If you can agree with this approach, I hope that our officials can rapidly settle the terms of the statement since I think it is important that we should be in a position to clarify the situation on FCS and RDS before the recess.

I am sending copies of this letter to the Prime Minister, other members of EA and to Sir Robin Butler.

Yours sincerely

JOHN GUMMER
(Approved by the Minister
and signed in his absence)

GOUT MATCH: Rayner Pt 34



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MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

n.b. P.M.
BHP
3/7

Treasury Chambers, Parliament Street, SW1P 3AG

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

2 July 1990

Dear Nick

ESTABLISHMENT OF THE NATIONAL PHYSICAL LABORATORY AS AN EXECUTIVE AGENCY

Thank you for copying to me your letter of 29 June to Richard Luce about Agency status for the National Physical Laboratory.

2 On the basis of the Framework Document enclosed with your letter and on the basis of your performance targets, discussed by our officials and to be announced separately, I am content for the National Physical Laboratory to be launched as your next Agency. Subject to formal endorsement in our Survey discussion, I am also content with your proposals to switch to a net running cost control regime in the National Physical Laboratory from 1 April 1991.

3 I am copying this letter to the Prime Minister, Richard Luce, and Sir Robin Butler.

Yours

NORMAN LAMONT

GOVT MACH
Rayner
Pt 34

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

DG

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 July 1990

Dear Rosalind,

ESTABLISHMENT OF THE NATIONAL PHYSICAL LABORATORY AS AN EXECUTIVE AGENCY

The Prime Minister has seen and noted without comment your Secretary of State's letter of 29 June to Mr. Luce about the establishment of the National Physical Laboratory as an Executive Agency on 3 July.

I am copying this letter to Sir John Fairclough and Peter Kemp (Cabinet Office), and to Carys Evans (Chief Secretary's Office) and Sonia Phippard (Cabinet Office).

Yours sincerely,

Caroline

Caroline Slocock

Mrs. Rosalind Cole,
Department of Trade and Industry.

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

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MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

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

Horse
London SW1P 3AL
Telephone: 071-270 5929

C90/3601

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

29 June 1990

Dear Nicholas.

ESTABLISHMENT OF THE NATIONAL PHYSICAL LABORATORY

Thank you for your letter of 29 June describing the arrangements you have made for launching the National Physical Laboratory (NPL) as an Executive Agency next Tuesday. I am very pleased to agree that you should go ahead on the basis you propose establishing what will be the 33rd Next Steps Agency and the eighth within your Department.

There can be no doubt that the NPL provides a vital service to Government and Industry. The end results of the work done at the Laboratory touch most people's lives. Indeed markets in commerce and industry would have great difficulty operating without the service provided by NPL.

I am pleased to see that like Warren Spring and the Laboratory of the Government Chemist, NPL is to be established on the basis of an arm's-length customer-contractor relationship with DTI and its other customers. This relationship, with its clear definition of the respective roles of the Department, the Agency and other parties involved seems to me to be essential in maintaining and improving the quality of NPL's service. I also welcome your intention to build up progressively the proportion of NPL's work which is subject to market testing and competition.

The arrangements described in the Framework Document represent a sound and sensible basis for future development. The idea of continuous development stemming from sustained pressure for improvement in business operations is central to Next Steps. I believe that the Agencies which will perform best in the longer term will be those which are most alive to the need to respond to changing circumstances. I was therefore very glad to see the way you have highlighted this in your foreword. I suspect that this developmental approach will be particularly important in the areas of pay, conditions of service and industrial relations (Chapters 6 and 9 of the Framework Document).

Thank you also for letting me see the written answer you will be giving next week. The targets you have set for NPL's quality of service and efficiency seem to be a good and demanding basis for launching the Agency.

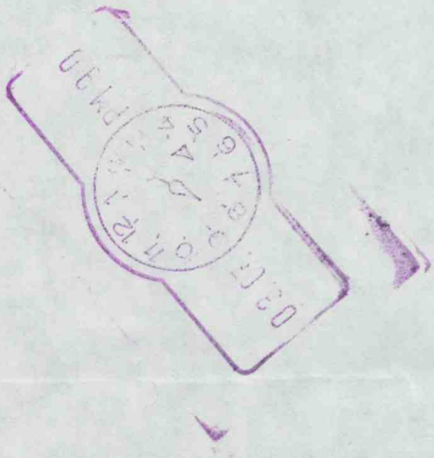
I very much regret that I shall not be able to attend the launch itself although the Next Steps Project Manager, Peter Kemp, will be at Teddington to join in the celebrations. I should be grateful if you could pass on my best wishes to Dr Clapham and all the staff of the Agency for every success in the future.

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

RICHARD LUCE

GOVT MACH: Rayner

pr 34.



covering letter from Mr Ridley 29/6 in box

CAB 29/6

DEPARTMENT OF TRADE AND INDUSTRY
FRAMEWORK DOCUMENT FOR THE NPL EXECUTIVE AGENCY

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DEPARTMENT OF TRADE AND INDUSTRY

FRAMEWORK DOCUMENT FOR THE NPL EXECUTIVE AGENCY

Chapter One - STATUS

1.1 Title

The agency is called the National Physical Laboratory Executive Agency. Except where the full name is formally required it will use the short form titles "National Physical Laboratory" or "NPL".

1.2 Ministerial responsibility

NPL is an executive agency of the Department of Trade and Industry. Many of its functions are carried out in support of various statutory duties of the Secretary of State. The Secretary of State for Trade and Industry answers to Parliament on its work and determines the policy and resources framework within which NPL operates.

Chapter Two - AIMS AND OBJECTIVES

2.1 Main Aims

NPL plays a central role in the organisational structure of the National Measurement System (NMS)[1]. The NMS is the technical and organisational infrastructure which ensures a consistent and internationally recognised basis for measurement in the UK. NPL's main task is to develop and disseminate national measurement standards, and to meet Government's requirements for an in-house source of high quality expertise in materials testing and characterisation and in information technology. Its four principal aims (amplified in Annex A) are, in accordance with DTI policies:

* to establish and disseminate measurement standards within the UK National Measurement System, to co-ordinate that system with those of our trading partners, and to provide accreditation, calibration and testing services as required;

* to support the national infrastructure for standards and quality in materials, particularly by research on improved techniques for performance assessment, development of test and measurement methods and the provision of data on properties;

* to support the definition, establishment and maintenance of a national infrastructure for standards and quality in information technology by research into relevant methods, particularly for testing and performance measurement;

* to provide such technical and policy support as lies within the Laboratory's competence to the Department and other parts of Government, particularly in the context of regulation and standards.

2.2 Objectives

Specific objectives pursued by NPL to achieve its main aims are:

* to support a range of Government activities, notably the promotion of public health and safety, the protection of the environment, and defence;

* to underpin the regulatory framework for weights and measures in the United Kingdom, thereby creating a consistent and equitable basis for commercial transactions;

* to provide its customers with high quality research and advice;

* to maintain its reputation for scientific excellence and impartiality in its work;

* to bring about a progressive improvement in the cost effectiveness and quality of service to all its customers;

* to ensure that knowledge and experience accumulated by the Laboratory is transferred where relevant to industry and other public and private sector bodies;

* to take particular account of the needs of the Single European Market.

2.3 Development of customer-contractor relationship

NPL operates in such a way that allows a true customer-contractor relationship to exist regardless of whether it is undertaking work for the DTI, another Government Department or a non-exchequer customer. NPL will be required to recover the full costs of its activities as payments from these customers. DTI customers will therefore make payments to NPL from voted programme provision in the same way as if the work they commissioned were undertaken by an external contractor.

Within its overall aims and objectives NPL will to give priority to work funded by DTI, but the detailed balance of programmes and customers, public and private, shall be a matter for the Chief Executive.

2.4 Operating Principles

NPL works primarily for Government customers : it assists other parts of Government to fulfil statutory, policy or regulatory responsibilities. It will adopt the following main principles in its work:

* to operate under the customer-contractor principle for all work (except its programme of strategic research);

* to undertake a programme of strategic research as an investment in its continuance as a centre of scientific excellence;

* to establish and provide accreditation services for calibration and testing laboratories through the National Measurement Accreditation Service (NAMAS), a part of NPL;

* to participate in collaborative projects with industry, or others, in support of its objectives;

* to seek new business opportunities within its main aims;

* as a provider of national measurement standards, NPL will not abuse a monopoly position, and it will seek to devolve calibration work to bodies outside Government wherever practicable;

* as the UK's national standards laboratory, NPL will collaborate at an international level on all aspects of its work, including materials and information technology activities. In particular, it will continue actively to support EUROMET - a pan-european coordination of measurement standards network established to promote and enhance collaboration in metrological activities and services.

Categories of work used to classify NPL's operations are listed in Annex B, and DTI's role as a customer is outlined in section 3.4.

Chapter Three - ASSETS, RESOURCES AND ORGANISATION

3.1 Location and Assets

NPL is the major occupier of a site in Teddington in the London Borough of Richmond Upon Thames which it shares with the National Weights and Measures Laboratory (NWML), the Laboratory of the Government Chemist (LGC) and others. The site is Crown Property. The structural assets of the NPL are buildings totalling some 57,000 square metres in floor area; these comprise part of the DTI Departmental Estate.

The staff of NPL and their accumulated expertise and established reputations are an important asset of the Agency.

The written-down value of NPL's capital equipment (excluding buildings) is approximately £36.7M based on existing depreciation policies.

3.2 Chief Executive

The Chief Executive is accountable to DTI Ministers for the management of the Agency and for its performance in accordance with this Framework Document and the Corporate Plan.

3.3 Management Structure

NPL currently comprises six scientific divisions, the National Measurement Accreditation Service (NAMAS) and a division providing corporate and support services. The Chief Executive is supported by two key staff - a Controller (Scientific Services) and a Controller (Corporate and Support Services). These staff lead the Agency's management team, which also includes heads of each of the scientific divisions and of NAMAS.

3.4 Relationship with rest of department and other departments

This Framework Document and the Corporate Plan together establish the Agency's objectives and powers and the framework within which it will secure its resources.

The Chief Engineer and Scientist provides the formal link between the Agency and the parent Department. The Chief Engineer and Scientist chairs a Steering Board whose membership includes the Chief Executive, civil servants and non-civil servants with relevant business experience.

While carrying out NPL's agreed role, the Chief Executive will have regard to wider Departmental policies and the Agency will contribute, as appropriate, to Departmental activities and

initiatives.

DTI is both the NPL's major customer, as well as its parent Department. Departmental customers will commission work from NPL to meet their requirements. As a customer the Department will operate the same form of customer-contractor relationship it does for work commissioned elsewhere in Government or from other sources.

Consistent with Government policy on contracting out, Government customers will go to open tender wherever appropriate, but in doing this they will have regard to: the Government's long term interest in maintaining a source of expertise, especially for requirements which cannot be provided by private sector organisations; and to central guidelines which will be established for the conduct of competitive tendering by Government customers. Arrangements for competitive tendering are outlined in Annex C.

Chapter Four - REPORTING AND ACCOUNTABILITY

4.1 Ministerial Accountability

The Secretary of State for Trade and Industry will answer to Parliament on NPL, and will from time to time ask the Chief Executive to report on the Agency's progress and its place within Departmental policy. However, Ministers will not normally become involved in the day-to-day management of the Agency.

4.2 Parliamentary Accountability and MP's enquiries

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

4.3 Parliamentary Commissioner for Administration

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

4.4 Appointment and role of Agency Accounting Officer

The Permanent Secretary as Accounting Officer for DTI will designate the Chief Executive as Agency Accounting Officer. The Chief Executive's duties will be defined in the light of responsibilities assigned to him in this Framework Document. The Permanent Secretary will remain responsible for overall matters affecting the policy of the Department towards the Agency and the Departmental resources allocated to it.

The Chief Executive, as Agency Accounting Officer, will be expected to account for NPL's expenditure and the way it

executes the work placed with it, as well as its performance against its targets.

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

4.5 Role of the Steering Board

The role of the Steering Board is to advise the Chief Engineer and Scientist on, in particular, the proposed Corporate Plan and on the extent to which the Laboratory carries out its functions efficiently and effectively in accordance with this Framework Document and the Corporate Plan.

4.6 Planning Framework

The Framework Document and the annual Corporate Plan provide the basic management planning framework for NPL. The Plan sets out the strategy for the following five years, including a detailed business plan for the first year. In preparing the plan, NPL will have to assess the likely future level of demand for its services. It will therefore discuss with its major customers, including those in DTI, their envisaged programmes for future years. A customer will not however be committed to placing work with NPL unless and until a formal agreement is concluded with the Agency.

4.7 Monitoring Arrangements

The Chief Executive will provide reports to the Chief Engineer and Scientist on:

* the preparation of the Corporate Plan;

* the annual bids for finance not covered in year by receipts, including major capital expenditure;

* reports on performance against Corporate Plan targets;

* major investment proposals and developments;

* any major issues which are not covered by the Corporate Plan or which may result in deviation from the Plan;

* the preparation and publication of the Agency's Annual Report;

* the progress and future direction of NPL's strategic research programme.

The Chief Engineer and Scientist will:

* prepare advice to Ministers, the Departmental Accounting Officer and the Principal Establishment and Finance Officer on the adoption of the Corporate Plan (including the annual targets and the resources needed to meet those targets) and on any other policy, including major investment decisions not included in the Corporate Plan;

* monitor on a regular basis progress against targets and forecasts contained in the Corporate Plan;

* report to Ministers and others as required on the performance of the Agency.

The Chief Engineer and Scientist will not normally become involved in operational or day-to-day managerial issues.

4.8 Report and Accounts

The Chief Executive will submit quarterly reports to the DTI as the Agency's parent Department through the Chief Engineer and Scientist and the Steering Board on its financial performance and other targets. Reports on the Agency's performance and progress will similarly be made available to the Treasury.

NPL will publish an Annual Report which will include a Summary of the Accounts, which will review progress achieved in the year against targets set in the Corporate Plan. This will contain full details of achievement of both financial and technical objectives.

Chapter Five - FINANCE, PLANNING AND CONTROL

5.1 Financial Regime

Subject to agreement in the Public Expenditure survey in the Autumn it is intended that from 1 April 1991 NPL will become subject to a net running cost regime. Thereafter, NPL will be able undertake work above (or below) the level envisaged in the Corporate Plan in direct response to customer demand. NPL's expenditure will be met from its income.

The Department, the Agency and the Treasury will consider whether it would be appropriate to introduce a financial regime on the lines of a Trading Fund in the light of the development of the Agency and of the prospects of further improvements in efficiency as a result of such a change.

5.2 Supply Procedure

DTI will make provision from within the resources agreed for the Department during the Public Expenditure Survey for NPL's current and capital expenditure and building works. The Department will seek Estimates provision on the basis of the Agency's income and expenditure plans as agreed in the Corporate Plan. The Department will provide funds to meet NPL's cash flow requirements within its income forecast.

From 1 April 1991, to accommodate net operating cost control, DTI proposes to change its Vote structure so that all NPL's subheads will be grouped together in a separate section of the Vote. NPL's current expenditure and expenditure on minor equipment and receipts from DTI will be included together in a net subhead. Capital expenditure and receipts from other Government Departments and any other customers, including the European Community, will be included on separate subheads.

5.3 Financial Operations

Within each individual subheads NPL will be free to switch between current expenditure and expenditure on minor equipment provided the increase is matched by additional receipts. NPL will also be able to increase gross current expenditure and capital expenditure to reflect changes in the level of work for customers provided that such increases are covered by income and Supplementary Estimates as necessary.

The Department will expect the Chief Executive to take action to eliminate or minimise any prospective increases in net operating costs above those envisaged in the Corporate Plan. Where a deficit arises despite the best efforts of the Agency, the Department will meet the shortfall from other parts of the

cash limited votes.

The Chief Executive will continue to invest in capital assets which enable NPL to meet customers' demands and to offer value for money. Standard Government investment criteria will be applied. Major investment proposals will require the endorsement of the Steering Board and agreement of Ministers and the Treasury, where appropriate.

5.4 End-year flexibility arrangements

NPL may carry forward from one financial year to the next any underspend on its capital expenditure budget up to a limit of 15%. Any required increase in capital provision resulting from the exercise of this flexibility will be met first by the Department's capital expenditure programme for the year in which the increase occurs. In the event of insufficient savings being available from this part of the DTI programme, the increase in capital provision will be met from other parts of the Department's cash limited votes.

5.5 Other financial delegations

A list of financial delegations is at Annex D.

While subscribing to the general Government principle of self-insurance, the Chief Executive has discretion to arrange for commercial insurance for some risks. Monies received as a result of claims will be outside normal allocations and will be used to make good loss or damage. Under net cost control, the Chief Executive will similarly be empowered to apply compensation received from contractors or their insurers to make good loss or damage.

5.6 Corporate Plan

The Corporate Plan prepared by the Chief Executive will discuss:

* forecasts of demand;

* marketing strategy;

* IT strategy;

* estate management strategy;

* proposals for strategic research;

* resource projections for manpower and finance;

* capital investment;

* charging strategy;

* quality and standards of service;

* operational performance indicators and targets;

* health and safety

* training and development strategy.

Following consideration by the NPL Steering Board the Corporate Plan will be submitted for approval by DTI Ministers and will be made available to the Treasury.

5.7 Performance Targets

Under net cost control, NPL will demonstrate progressive improvements in quality and efficiency of services provided. The primary performance measure for the Agency will be its demonstrable ability to attract work appropriate to its aims and to satisfy customers both technically and in value for money terms while fully covering its costs. Specific indicators will include:

* customer satisfaction with quality and timeliness;

* comparison of budget to actual cost on a programme basis;

* proportion of staff effort spent on directly charged activities;

* cost of support services as a proportion of total cost, having due regard to the quality of service delivered;

* proportion of milestone targets met in research programmes.

Targets to be achieved will be set for each of these indicators in the corporate planning process and published.

The Chief Executive will ensure that managers at all levels within the Laboratory have the information they need to assess whether costs are being kept within budget and if not to take remedial action in good time. Progress will be monitored internally on a regular monthly basis and more frequently where appropriate. Progress of scientific work will be monitored at Divisional, programme and project level.

Managers and staff will be given regular information about the overall performance of the Agency.

5.8 Relationship with customers

The Agency will provide to its customers (both within the DTI and elsewhere) the information required to meet their reasonable needs for financial and project monitoring and evaluation.

5.9 Policy on pricing of services

Government is the principal customer for NPL work and will therefore be the primary source of income.

The Chief Executive will establish consistent and coherent criteria for the setting of fees and charges for all NPL services, informed by the agreed objectives and operating principles of the Laboratory set out in Chapter 2. The charging criteria for these services will be addressed in the Corporate Plan. Generally, NPL will recover at least the full economic cost of the work undertaken. For capital costs, appropriate depreciation charges will be included in the FEC to be recovered by fees charged. The Agency's charges will be reviewed at least annually as part of the corporate planning process.

It is essential that the Agency should carry out strategic research to maintain the Laboratory's capability and resources to meet evolving demand. NPL will aim to introduce, along with other Government laboratories, recovery of the cost of its strategic research from all its customers in April 1991. Pending this change, strategic research will be funded by DTI.

5.10 Management and accounting systems

NPL operates a fully integrated financial control and management accounting system. The Research Establishment Management Information System (REMIS) is used to provide fully costed accounts and enhances management's ability to monitor performance at all levels within NPL.

NPL will continue to satisfy the Departmental requirements for financial management information. NPL's accounts and accounting system will:

* be consistent with Treasury requirements;

* recognise appropriate interfaces with Departmental management accounting systems;

* be capable of reconciliation with the Department's Vote accounting arrangements; and

* satisfy audit requirements as to accuracy, security, comprehensiveness and separation of authorities.

5.11 Audit arrangements

The Agency will be subject to audit by the National Audit Office and the annual accounts will be certified as appropriate by the National Audit Office.

The Chief Executive, as Agency Accounting Officer will be responsible for making arrangements for internal audit and staff inspection work which the Chief Executive considers necessary and he may therefore request internal audit and ataff inspection work from the Department. The Department will discuss with the Chief Executive annually his requirements and estimates of the likely cost to the Agency. The Agency will also be subject to DTI Internal Audit and to DTI and Treasury Staff Inspection.

Chapter Six - PERSONNEL, PAY AND CONDITIONS

6.1 Status of staff

NPL staff are DTI civil servants. The Agency aims to offer staff a well planned and well managed career within the Laboratory and the wider Civil Service. Transfer of staff into and out of the Agency will be maintained. The Agency and the Department wish to encourage such transfers, while aiming to maintain an appropriate balance in the way vacancies are filled, whether by recruitment, transfer or promotion. Existing Civil Service terms of service apply as regards recruitment, pay, pension, grading and personnel management generally, but with certain responsibilities and authorities delegated to the Agency, as described below and at Annex E.

6.2 Recruitment

NPL will for the immediate future continue to participate in the Civil Service Commission's (CSC's) Service-wide recruitment campaigns for scientific and technical staff at SO and above. The Agency will have the power to determine starting pay for recruits in accordance with national agreements at any point on the pay scale appropriate to that grade dependent on the recruit's qualifications, experience and the needs of the Laboratory.

The Agency will arrange directly with the CSC in consultation with the Department for the additional recruitment of scientific and technical staff up to SSO (and equivalent) and of EOs in accordance with its needs. Exceptionally, where the Agency requires staff possessing particular expertise at HEO or SEO level (or equivalent), and no suitable candidate can be provided by the Department, then the Agency will be free to arrange recruitment directly with the CSC.

NPL already has full delegated powers to recruit directly AO, ASO and AAs, as well as secretarial, office support and industrial grades. The Agency has authority to recruit and employ casual staff in accordance with DTI guidelines.

The Agency will discuss with the Department the basis on which it will conduct recruitment after April 1991 in the light of the change in status of the CSC on this date and the greater freedom which the Department may have to carry out recruitment through other channels.

Limited period appointments

The Department will delegate to the Agency powers to make limited period appointments for periods of up to five years for all staff up to and including Grade 7 and exceptionally

scientific and technical staff at Grade 6. Civil Service grades and pay scales will apply, together with the possibility of terminal bonuses where permitted.

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

6.3 Personnel Management

NPL will strengthen its local personnel management capability so that it can take on a wider range of personnel functions. The Department will delegate to the Agency responsibility for personnel management of scientific and technical staff up to and including SSO (and equivalent) and for administrative staff at EO level. These will be added to the Agency's existing responsibilities for all non-mobile and industrial grades. Staff at all grades will still have access to advice from the Department on wider career opportunities. The Department will continue to provide the career management of administrative grades, HEO and above, in view of their limited career structure within the Agency. NPL will act in close consultation with the Department when moves of administrative staff and staff at Grade 7 level and above take place in order to ensure that posts are filled promptly and that the Agency's targets are not jeopardised. The Agency will have freedom to deploy scientific and technical staff flexibly throughout the whole range of its activities from research to technical services subject to normal grading guidance.

6.4 Promotion

NPL staff will continue to take part in the main DTI and regional promotion boards. Where an individual vacancy at NPL in a grade below Grade 7 cannot be filled in the normal way by recruitment, transfer, or promotion from the appropriate reserve list, the Agency will circulate a Vacancy Notice within the Department, and as appropriate a trawl notice, and will arrange the selection board. Personnel Management Division will nominate a representative for the board, and any resulting promotions will be fully recognised by the Department and other DTI Agencies.

The Agency has authority, subject to Departmental agreements, to grant temporary promotion and substitution up to and including Grade 4 level.

The Chief Executive will, as at present, have authority to nominate officers for Individual Merit and Personal Promotion where appropriate.

6.5 Delegated authority within the pay, complementing and related fields

The Chief Executive has delegated authority to regrade, suppress or create posts up to a level stipulated by the Permanent Secretary.

Reports of manpower allocations and staff in post will be provided for the Department at agreed intervals.

Retirement and Redundancy

The Department will delegate to NPL its authority on retirement for staff in the grades for which the Agency is to have the responsibility for career management. This includes the authorisation of early retirement, and retention or re-employment of staff beyond normal retirement age in these grades in accordance with Civil Service Pay and Conditions of Service, subject to the Department's financial approval.

NPL will continue to operate to the Department's retirement and redundancy policies and agreements. No action on redundancy of mobile grades will be taken without reference to the Department. The Agency will have the discretion to engage retired staff as consultants.

Discipline, unsatisfactory attendance and unsatisfactory performance

The Chief Executive will have full delegated powers relating to discipline, unsatisfactory attendance and unsatisfactory performance in respect of staff in grades for which the Agency has responsibility for career management in accordance with Departmental procedures.

6.6 Appeals

Agency staff may appeal to the Chief Executive against management decisions affecting them personally. Additionally, existing rights of appeal to the Permanent Secretary and the Civil Service Appeals Board remain unaffected.

6.7 Pay arrangements

NPL will apply nationally negotiated Civil Service pay arrangements for national grades, subject to any arrangements which might be negotiated to apply to the Agency. It will observe the provisions of the national agreements on performance pay. It may also seek to use available local and special pay flexibilities as necessary to maintain staff numbers to meet work requirements. In particular, Treasury agreement will be sought for the discretion to introduce movements of groups of posts up the pay spine on the basis of either discipline, function or location in accordance with national agreements.

6.8 Performance Pay

Chief Executive

The management of the Agency is the responsibility of the Chief Executive, working with and through the key staff and other NPL managers as appropriate. The Chief Executive may be eligible for performance bonuses linked to achievement of agreed performance and quality of service targets.

Key Staff

The key staff report direct to the Chief Executive, and may also be eligible for performance bonuses.

Other staff

The Agency may seek to establish a bonus system for all non-key staff related to the performance of the Agency, and it may also operate bonus schemes limited to particular groups of staff where performance measures can be agreed to demonstrate a significant improvement in efficiency and effectiveness. Individual members of staff will also be eligible for special bonuses under the normal Civil Service arrangements in recognition of outstanding achievement in a particular year at the discretion of the Chief Executive.

6.9 Training and Development

NPL recognises training and development to be an essential element of personnel management and career development for staff at all levels which will enable the Agency to deliver its services better. Staff need to understand how to carry out their work efficiently, while developing their skills as service providers and as civil servants. NPL will develop a training strategy to implement the recommendations of NPL's Next Steps Training Review. In addition to the training which the Agency will organise for itself, NPL will use the facilities of DTI, the Civil Service College and external organisations as appropriate, on a value for money basis. The training budget of NPL when approved by the Steering Board will be ring-fenced.

Chapter Seven - GENERAL DELEGATIONS OF RESPONSIBILITY FROM THE DTI

7.1 NPL support services

The Agency will be responsible for administrative decisions about the structure and the day-to-day running of NPL support services and will ensure that any common services provided to other site occupants are provided efficiently and effectively. The Department intends that Agency status will lead to a progressive extension of NPL's control over remaining areas of support services.

7.2 DTI support services

A list of those support services whose operation has been delegated to the Agency is at Annex F. For the time being the Chief Executive may at his discretion continue to use the Department for any other support service. The Department and the Agency will agree in advance the level of services to be provided over a period and a charge for these services.

7.3 Information Technology

The Department will progressively delegate responsibility to the Chief Executive for the development, operation and procurement of IT systems for and in connection with all of the work of NPL.

7.4 Supply and Purchasing

The Chief Executive may seek to establish for NPL alternative arrangements to existing agreements between DTI and central Government suppliers eg HMSO, CCTA, Crown Suppliers and COI, having due regard to value for money. Until such arrangements have been concluded, the Agency will comply with the relevant Departmental agreements.

The Agency will be responsible for its own purchasing and stores operations and will comply with Treasury (Central Unit on Purchasing - CUP) requirements and guidance, and will work with the Department to continue to improve its purchasing performance. The Agency will comply with the central initiative on market testing but has freedom to decide whether to adopt or participate in the procedures established by the Department or to put in place procedures of equivalent effect.

7.5 Safety and Security

The Chief Executive shall have full delegated authority for ensuring that due regard is paid to the health and safety of all

NPL staff and visitors to the Teddington site (other than in those areas for which the Chief Executives of LGC and NWML or other site occupants are responsible). This will include ensuring compliance with all statutory requirements and any Departmental policy. The Chief Executive will also be responsible for ensuring the security of all assets of the Department and NPL for the time being located on the site (other than those for which the Chief Executives of LGC and NWML are responsible, or which are the property of other site occupants).

The Chief Executive will be responsible for ensuring the security of all information including intellectual property rights, whether the property of the Crown or of others, used or generated by NPL in the course of its work.

7.6 Public Relations and Publicity

The Chief Executive will seek to ensure that NPL continues to maintain good relations with the local community. In conjunction with the Department as appropriate, the Chief Executive will be responsible for NPL's public relations, publicity and relations with the media.

Chapter Eight - ESTATE MANAGEMENT

The Teddington site on which NPL is located is vested partly in the Secretary of State for the Environment and partly in the Crown Commissioners, but it comprises part of the DTI Departmental Estate. DTI has full responsibility for estate management for the site.

NPL is the major occupant of the DTI's Teddington site, whose effective management will be an important factor in determining NPL's ability to meet its objectives. Arrangements for site management are co-ordinated with the other occupants of the site, which include the LGC and NWML Executive Agencies. As major occupant, NPL provides executive services for the management of the common estate services and facilities.

The Chief Executive has overall responsibility for the coordination of estate management on the Teddington site and particular responsibility for the premises occupied by NPL. However, the DTI will work closely with him to facilitate the implementation of an efficient estate management policy. In particular, the DTI intends to produce in consultation with the Agency a tenancy agreement in respect of the premises occupied by NPL.

Chapter Nine - INDUSTRIAL RELATIONS

Good industrial relations are of fundamental importance. The Chief Executive will continue to consult staff fully through their industrial and non-industrial trade union representatives.

Agency Whitley and Joint Industrial Committees are constituted to deal with matters specific to NPL and falling within the responsibility of the Chief Executive, who will chair meetings of these Committees. Exceptionally, the Controller (Corporate and Support Services) may take the chair.

Every effort will be made to resolve issues within the NPL Committees. Issues not so resolved and which are appropriate to the Whitley structure will be pursued within the usual Whitley procedures involving the Departmental Whitley Council. JIC matters which cannot be resolved locally will be pursued through the appropriate channels.

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

Chapter Ten - REVIEW AND VARIATION OF FRAMEWORK DOCUMENT

This framework document will be reviewed jointly by the Department and NPL in consultation with OMCS and the Treasury after three years from the date of establishment of NPL as an agency, or before then by agreement between the Agency and the Department. Amendments will be published. The Departmental Trade Union Side will be consulted on any modification.

The annexes to the framework document provide for progressive transfer of responsibility to NPL in the light of experience. The annexes may therefore be amended by the Department from time to time in consultation with NPL.

ANNEX A: THE AIMS OF NPL

AIM A: To establish and disseminate measurement standards within the UK National Measurement System (NMS), to co-ordinate that system with those of our trading partners, and to provide accreditation, calibration and testing services as required.

The bulk of NPL's effort, accounting at present for about 70% of its resources (treating Support Services as an overhead charge on all objectives), are at present devoted to this first aim. Subsidiary aims are:

* to provide traceable measurements through efficient accreditation, calibration and testing services;

* to expand the use of measurement technology through other technology transfer services including training courses, conferences, research investigations and the giving of in formal advice to the users of standards;

* to develop new measurement standards and techniques to improve accuracy, ease of use and cost-effectiveness of existing standards in response to identified or forecast demand;

* to collaborate with other national standards laboratories, particularly in Europe, in the development and dissemination of measurement standards and techniques;

* wherever practicable, to devolve measurement and calibration work to outside bodies;

* to provide expert advice to assist in formulating Government policy, and to represent UK interests in international standards bodies.

AIM B: To support the national infrastructure for standards and quality in materials, particularly by research on improved techniques for performance assessment, development of test and measurement methods and the provision of data on properties.

NPL's subsidiary aims in pursuit of its work in the field of materials technology (accounting at present for about 20% of resources) are:

* to develop test and measurement methods and furnish data for characterisation of materials properties, processing and performance;

* to contribute to the harmonisation of national and international standards through inter-comparison of the

effects of variation in test methods on materials performance;

* to provide a clear focus and a key source of advice to the DTI, other Government Departments and industry on materials property measurements, and to represent the UK interest on appropriate national and international bodies;

* to support DTI policy in technology transfer and training activities related to advances in materials.

AIM C: To support the definition, establishment and maintenance of a national infrastructure for standards and quality in information technology by research into relevant methods, particularly for testing and performance measurement.

NPL's subsidiary aims in pursuit of its work in the field of information technology (accounting at present for about 10% of resources) are:

* to carry out R&D to support the generation and effective application of national and international IT standards, and the establishing of objective quality and performance measures in IT, in support of Government policy and functions;

* to support NAMAS in developing the methodologies and techniques for effective accreditation of testing services in the IT field;

* to collaborate with and support DTI headquarters Divisions in policy formulation and implementation, particularly in the field of IT standards, quality and regulatory issues and also in wider IT research and technology topics, and to represent the Department in appropriate external bodies;

* to carry out R&D work in aspects of information technology, computing and mathematics to support the NPL programmes for the National Measurement System and in materials, and when appropriate the programmes of other DTI establishments;

* to provide consultancy and research facilities under contract to other Government departments and non-government bodies, where NPL's capabilities are uniquely appropriate;

* to provide advice and information in areas of NPL expertise to appropriate bodies and individuals.

AIM D: To provide such technical and policy support as lies within the Laboratory's competence to the Department and other parts of Government, particularly in the context of regulation and standards.

NPL's subsidiary aims in pursuit of its underpinning role as a part of the DTI are:

* to provide technical and policy advice to DTI Ministers and senior officials on matters which are within NPL's areas of expertise;

* to work for and with the DTI in pursuance of its remit in testing, standardisation and technical harmonisation;

* to represent the UK in international fora concerned with measurement and standardisation, testing and accreditation;

* to support, and where appropriate to represent the DTI in its work towards completion of the Single European Market;

* to provide a trained source of technical manpower to the Department;

* to assist in the promotion of innovation and enterprise.

ANNEX B: ACTIVITY CATEGORIES AND RESOURCE UTILISATION

1. Work to meet statutory and regulatory responsibilities of Government:

   1.1 Work for DTI;
   1.2 Work for OGDs.

2. Research in support of Government functions and policy formulation:

   2.1 Work for DTI;
   2.2 Work for OGDs.

3. Strategic research.

4. Non-research work for DTI:

   4.1 Policy responsibilities;
   4.2 Assistance with schemes;
   4.3 Technology Transfer;
   4.4 Other activities.

5. Collaborative R&D through club activity.

6. Repayment work for non-exchequer customers.

In accordance with the main function of NPL approved by Ministers the great majority of its effort will be devoted to work which is required by Government for statutory, regulatory or policy reasons. Up to 10% of the Agency's full economic cost (FEC) may be spent on category 3, strategic research. The programme for this research will be determined by the Chief Executive, but the planned level of resource commitment (within the limit of 10% of FEC) will have to be subject to approval as part of the corporate planning process.

ANNEX C: COMPETITIVE TENDERING

NPL will continue to pursue a policy of devolving calibration and testing work to the private sector as services reach the stage of commercial viability. Where scope is identified for contracting out R&D, the DTI customer may organise competitive tendering for this work. For R&D arising from proposals from NPL, the customer will meet the full cost incurred by the Agency in specifying the work to be tendered for, and the cost of any supervision or advice commissioned from NPL. DTI customers may also commission NPL to carry out work outside the main programmes which they procure, and NPL may undertake such work if it is consistent with the objectives of the Agency.

It will be within the power of the Chief Executive (with the consent of the customer) to contract out all or part of a work programme commissioned from NPL by a DTI customer, taking account of the need to ensure efficiency and effectiveness. NPL will also be empowered to take work placed by DTI customers with other contractors, on a sub-contract basis. NPL will be free to tender for work from any DTI customer whose interests are consistent with the overall aims of the Laboratory's work. Furthermore, NPL shall be free to tender for non-exchequer contracts (eg research investigations) where such work will complement approved programmes without diverting resources away from them, can be charged at least at FEC and falls within the remit of the NPL Division concerned.

ANNEX D: FINANCIAL MANAGEMENT DELEGATIONS

1. The Chief Executive of NPL is delegated powers by DTI to enter into financial commitments, and to authorise and make payments against expenditure ledger forecast headings and suspense ac counts allocated to him by the Department. Within the limit of applicable budget allocations and delegations the Chief Executive has:

a)Full authority to commit expenditure.

b)Full authority to certify expenditure.

c)Full authority to make payments.

d)Full authority to accept receipts.

1.1 Categories of expenditure to which the delegations apply are:

Salaries, wages, overtime - non-industrial staff.
ERNIC - non-industrial staff
Wages ,overtime - industrial staff
ERNIC - industrial staff
Salaries, wages, overtime - casual staff
ERNIC - casual staff
Advance of salary, house purchase - non-industrial staff
Removal expenses
Travel and subsistence
Superannuation, non-PCSPS - non-industrial staff
Postal charges
Telecommunications
Stationery and printing, office machinery
Library and publications
Motor transport, fuel and running costs
Administrative consultants
Minor publicity and advertising
Administrative computers and subscriptions
General staff expenses
Fuel and utilities
Building maintenance
Accommodation charge
Contracted-out administrative services
(cleaning, security etc)
Training
Minor items of equipment, laboratory material, etc):

- Scientific computer costs
- Conferences
- Goods
- Contract engineering services

- Services

Capital Expenditure:

- Scientific equipment
- Scientific computers
- Motor vehicles
- Office machinery
- Administrative computers
- Telecommunications
- Furniture and fittings
- Minor new works

Extra Mural Research Expenditure:

Consultants and Research Associates
Research and Development by Universities
Research and development by Industry
Research on Radio Frequency microwave standards
Metrology Awards, sponsored students and CASE awards
NAMAS Assessors
Programme Expenditure (Innovation Budget)

The Chief Executive will operate under the same delegated powers for programme expenditure where Research and Technology Policy Division is the budget holder. This comprises LINK and SQMAC expenditure and international subscriptions to BIPM and SGTE.

1.2 Categories of receipts to which the delegations apply are:

Receipts - UK Government Departments
Receipts - Public Sector
Receipts - Private Sector
Receipts - European Community
Miscellaneous Sales and Receipts - Disposal of Assets
Miscellaneous Sales and Receipts - Other Sales
Miscellaneous Sales and Receipts - Miscellaneous Recoveries
Recovery of input VAT
Recovery of VAT on contracted out services
Services to other Laboratories within DTI

2. The Chief Executive is empowered to make special payments as generally defined in DTI Accounting Memorandum, write off losses and waive outstanding claims for payment.

2.1 Special Payment

He has for each single case:

a) Authority of up to £25,000 to make Ex-Gratia and Extra Contractual Payment to Contractors and the same limit to make other Ex-Gratia Payments.

b) Unlimited authority to make compensation payments in respect of damage to and loss of property following claims from the Agency's own employees.

c) Authority of up to £5,000 to make compensation payments for personal injury in respect of the Agency's own employees.

d) Unlimited authority to make compensation payments in any other cases.

e) Authority of up to £1,000 to make awards to staff for inventions.

Note: his authority at (e) is subject to a recommendation by the Committee on Awards to Inventors.

2.2 Losses

He has unlimited authority to write-off cash losses arising from whatever source in the normal course of business and also Stores and Equipment losses. His authority to write off Fruitless Payments and Constructive Losses as defined in Accounting Memorandum is also unlimited.

2.3 Abandonment of Claims

He has authority of up to £25,000 per item to approve the write off of claims abandoned for whatever reason.

3. The Chief Executive has delegated powers to make gifts of official property up to a value of £25,000, related gifts at any one time being counted as one item. When making gifts the Agency will ensure that it is receiving some return for its donation (research reports etc) unless the equipment is obsolete and being donated to educational establishments.

4. The Chief Executive may subdelegate in writing any of the powers shown above to Agency staff.

5. In exercising financial authorities staff will observe any requirements to consult DTI Headquarters staff in respect of certain specialist services so designated. In exercising its procurement function the Chief Executive will observe guidance set out in the DTI Procurement and Supply Manual and follow guidelines laid down by the Central Unit on Purchasing (CUP). The relevant provision of Government Accounting, the Department's Finance Handbook, the Accounting Memorandum of the

Department in so far as they have been modified by the Chief Executive Agency Framework Document will be observed when exercising its responsibilities.

6. Financial delegations may be varied by Agreement between the Agency and the Department.

NPL will be designated as a Payable Order Issuing Point and as a Responsibility Cost Centre of DTI. Within the scope of the financial powers delegated to the Chief Executive, only NPL will be permitted to commit or authorise expenditure. In all other cases financial powers will be exercised by Finance and Resource Management Division.

The Chief Executive shall have power to dispose of assets. Funds realised from the disposal of assets shall be available for expenditure by NPL and shall not count as earnings. Where disposal involved a major building, the Department would first be consulted.

The Chief Executive will have the power, with the agreement of the Department and the Treasury, to vire between Vote subheads and between internal forecast headings.

Exercising the powers outlined in this section will constitute a deviation from the Corporate Plan and the Chief Executive will therefore be required to report and justify his actions to the Steering Board.

ANNEX E: PERSONNEL AND TRAINING DELEGATIONS

1. Already exercised

a) for all non-mobile grades:

Personnel management of all non-mobile staff (scientific, administrative, industrial, secretarial and support grades):

- Career interviews
- Postings within NPL
- Secondments
- Changes to and from part-time working

Recruitment
- advertising
- interviewing
- offering posts
- where necessary, references to the Civil Service Occupational Health Service

making arrangements regarding:
- commencement date
- providing information about conditions of service
- probation
- entry on to PERMIS
- liaison with Pay Section and Promotion, Recruitment and Trawling Unit
- recruitment and employment of casual staff

Pay
- entry points on appointment
- local pay additions
- scarce discipline allowances
- performance pay

Promotion

- conducting promotion reviews (ASO to SO) and boards for industrial posts
- notifying results of above

Staff reporting

- initiation
- completion
- retention of all forms of report

Retirement and Redundancy procedures

(in collaboration with the DTI)

Termination of service and appointments subject to Civil Service regulations

- casual or period appointments
- normal retirements
- early retirements
- medical retirements

Unsatisfactory performance and unsatisfactory attendance

Full responsibilities including where appropriate downgrading, reversion, premature retirement or dismissal.

Other aspects

Action following:

- death
- resignation
- change of name

Provision of references

Retention of staff beyond normal retirement age

Reinstatement and re-employment of former established Civil Servants

b) for all mobile and non-mobile grades:

Conditions of Service
according to the Civil Service Pay
and Conditions of Service Code:
- certifying annual leave
- special leave
- sick leave
- flexitime
- overtime
- on-call duties

Training
- on the job
- induction courses
- arranging training by the DTI, Civil Service College and external services
- HEI bursary scheme

2. **To be exercised following delegations from the Department to NPL from July 1990.**

Recruitment of scientific and technical and other staff possessing particular expertise for specific posts up to and including SSO (and equivalent), and of EOs in collaboration with the Civil Service Commission.

- liaison with the Civil Service Commission over advertisements and interviews

Limited period appointments (for scientific and technical staff up to and including Grade 6 and for other staff up to and including Grade 7) and casual appointments:

- advertising
- sifting
- interviewing
- offering of posts

Pay

- movement of groups of posts up the pay spine with Treasury agreement

Promotion

- authorisation of substitution and temporary promotion (up to and including Grade 4)
- conducting promotion boards for non-mobile posts
- postings within NPL from reserve lists

Provision of technical references (all staff except the Chief Executive) when objectives of the Agency require.

3. **To be exercised following delegation from the Department to NPL with effect from November 1990:**

Extension of all the delegations listed at 1a above to the following groups of staff, for which NPL will also have personnel management responsibility:

- Scientific and technical staff up to and including SSO (and equivalent)
- Executive Officers

Issue of vacancy/trawl notices
of individual scientific and technical posts and those requiring particular expertise up to and including SSO (and equivalent) when the Department cannot supply a suitable officer.

Discipline

in respect of staff for which NPL has personnel management responsibilities.

ANNEX F: SUPPORT SERVICES DELEGATIONS

Delegations already exercised

1) Access to Departmental information systems
2) Procurement, installation and use of scientific IT systems and services up to a limit of £500K per project
3) Telecommunications and office machinery equipment (except systems and exchanges)
4) Accommodation - site, building and work management
5) Messenger services
6) Printing, typing, reprographics, photographic, graphics, stationery
7) Post and telex
8) Office and laboratory cleaning
9) Health and Safety
10) Fire precautions
11) Emergency arrangements
12) Site and building security
13) Agency industrial relations matters
14) Local staff communications
15) Drafting, negotiating and placing of contracts
16) PR and publicity
17) Marketing
18) Registry
19) Library services

Support services to be considered for delegation

Enhanced access to PERMIS and other Departmental Systems as necessary.

Procurement, installation and use of computers and associated equipment and software and services for administrative purposes

- up to a limit of £150K per project.

NPL FRAMEWORK DOCUMENT DRAFT FOREWORD

Measurement matters. A dynamic economy needs a commonly accepted system of measurement. NPL plays a vital role in the measurement system of this country by maintaining and improving our national measurement standards. We are all familiar with the measurement of mass and length, but NPL also handles specialist applications in fields as diverse as healthcare, microelectronics and defence. The resulting standards enable the market to function efficiently and customers to purchase goods with confidence as to the quantities they buy.

It is now over 90 years since a joint committee of the Royal Society and the Treasury first recommended the establishment of a national standards laboratory. This subsequently became the NPL. The scientific and technical challenges faced by NPL have of course changed, but NPL has enjoyed a consistently high reputation for the high quality of its work. I expect that to continue in the Agency. I believe Agency status will give NPL the tools to meet the current needs of its customers even more effectively.

This document sets out both the framework within which NPL will operate and the management freedoms and flexibilities being granted to the new Agency. Agency status is an important and exciting development for NPL. I expect the benefits of Agency status to develop over time and all aspects of this Framework document will be kept under review to ensure that the Agency remains best equipped to meet the challenges it will face.

I wish NPL and all its staff well in their new role.

TW

A: VALUE

cc John Mills

10 DOWNING STREET

From the Principal Private Secretary

29 June 1990

Value for Money Seminar: DOE

The Prime Minister has looked again at her diary commitments for next week. With two days taken up with the NATO Summit, after which she departs immediately for Houston, she needs more time to prepare for these meetings and to complete other Government business. She has therefore decided to postpone the VFM Seminar. She hopes to be able to put it on again at the end of the month which would allow the material which has been prepared to be used.

I understand that, with negotiations on next year's local authority settlement reaching a head, your Secretary of State would not find this postponement unwelcome.

I am copying this letter to Sir Angus Fraser and Mr. Brereton (Efficiency Unit) and to Sir Robin Butler.

ANDREW TURNBULL

Phillip Ward, Esq.
Department of the Environment.

TW

CCPU

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

N.S.P.M.
DHP
3/7

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

29 June 1990

Dear Nicholas,

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

Thank you for copying to me your letter and attachments of 24 May 1990 to John Major. flap

I was most interested in the Deregulation Initiative Progress Report and in your Memorandum. As they illustrate, there are still considerable obstacles to be overcome in the effort to promote deregulations, but the Initiative has had its successes and we must continue to build on these. I have no objection in principle to your CCA proposals and would be grateful to be kept informed of the outcome of the E(CP) meeting on 27 June 1990.

My officials will continue to follow closely developments in GB and to maintain their regular contact with officials in the Deregulation Unit.

I am copying this letter to the recipients of yours.

Yours ever

Peter

PB

PM/SOFS/3045

cst.ps/dr/8nl28.6

NBPM

AT 2/7

MANAGEMENT IN CONFIDENCE

CHIEF SECRETARY TO THE TREASURY



Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Gummer MP
Minister of Agriculture, Fisheries and Food
Whitehall Place
London
SW1A 2HH

29th June 1990

Dear John

FUTURE ORGANISATION OF ADAS

I have been considering this subject further, in the light of the detailed discussions between our officials.

2. I would still have liked to see early action on privatisation of ADAS. At least for the Farm and Countryside Service it is, as your letter points out, the most logical way forward and it has been recommended by all the directors of the Service. The necessary legislation could be very short and should not be enormously controversial with the farming industry as a whole.

3. I am however prepared to agree to an announcement on the FCS broadly along the lines you propose subject to two points.

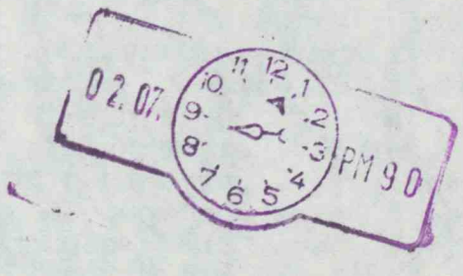
4. First, I believe that we should set out our attitude to privatisation in the announcement itself. As you say, we are likely to be asked and on such an important matter we do not want to seem merely to be reacting to questions. But I am in any case sure that the announcement should say that privatisation is our long term objective. Otherwise, it may be taken, in accordance with the Prime Minister's answer on 24 October 1988, that we think the public sector is the appropriate place for ADAS. We are on the contrary agreed, I think, that privatisation is the right course in principle. It is therefore important that whatever we say now should not be inconsistent with any future decision to privatise as soon as circumstances permit. Similarly I would hope that the measures you propose to set up an Agency and then a Trading Fund would not be carried out in such a way as to stand in the way of a future decision, if we agree one, to go straight to privatisation.

5. Secondly, I note your view that radical changes in organisation are needed to make ADAS fully commercial and in particular to allow a substantial increase in the proportion of cost recovery. Privatisation would as you imply be the natural way to achieve this, and the doubt must be whether any lesser measures which leave the Service in the public sector will be able to do so. I believe therefore to remove that doubt, and to provide the Service with an extra incentive to be commercial, we should impose a more exacting target on cost recovery than the present 50% in 1993-94, with corresponding increases in earlier years. This would also reflect our general policy that Trading Funds should aim at full cost recovery except where specific subsidies have been agreed, and would be a contribution to meeting our severe difficulties in this year's Survey.

6. If you agree these two points, I suggest that our officials should discuss the details of the announcement.

7. I am copying this letter to members of E(A), and to Sir Robin Butler.

NORMAN LAMONT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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
Office of Minister for the Civil Service
Horse Guards Road
London
SW1

Prime Minister?

9/8

29/6

Department of Trade and Industry
1-19 Victoria Street
London SW1H 0ET
Enquiries
071-215 5000
Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071 215 5622
Our ref NP1AXL
Your ref
Date 29 June 1990

Dear Minister,

ESTABLISHMENT OF THE NATIONAL PHYSICAL LABORATORY (NPL) AS AN EXECUTIVE AGENCY

I am writing to seek your agreement and that of the Chief Secretary to the Treasury to the establishment of NPL as an Executive Agency on 3 July. I enclose a copy of the draft policy and resource 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 Framework Document establishes new arrangements which will help NPL provide an improved service to its customers and provide better value for money. I am pleased that the Document is to state that, subject to the Chief Secretary's agreement in the Public Expenditure Survey this Autumn, NPL will be subject to net running cost control from April 1991. This will enable DTI to operate a customer contractor relationship with NPL on exactly the same basis as for research commissioned from an external contractor and enable NPL to take advantage of new business opportunities, particularly for its laboratory accreditation services and for work from organisations elsewhere in the European Commission Community.

Net cost control from April 1991 will also allow NPL to compete effectively in the internal market for research and development which we are developing. The DTI currently commissions from NPL the bulk of its requirement for work on the national measurement system: to give assurance of value

dti

the department for Enterprise

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

for money at least 20 per cent of this programme will be subjected to competitive tendering within three years of establishing NPL as an Agency. Exposing this level of work to market testing will provide a valuable measure of efficiency: if as a result of market testing it becomes clear that NPL is uncompetitive, the proportion of work put out to tender will be increased. In addition, I will be announcing targets for efficiency and quality of service: these will be significantly more demanding than the 1½ per cent minimum efficiency improvement which applies to the Civil Service as a whole.

I am particularly keen that Agency status should yield the fullest benefits for NPL: I have emphasized this in my foreword to the Framework Document. All aspects of this Document will be kept under review to ensure that the Agency remains best equipped to meet the challenges it will face.

The Chief Executive of the Agency will be Peter Clapham. He was appointed Director of NPL and Chief Executive (Designate) in April following an open competition. Peter Clapham is 48 and was formerly the Chief Executive of the National Weights and Measures Laboratory Agency.

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

Yours sincerely

Rosalind Gt

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

Recycled Paper

PERSONAL

PRIME MINISTER

VFM SEMINAR: DOE

I have been approached by Sir Terry Heiser about the VFM seminar scheduled for Monday. Mr. Patten has spent a large part of this week involved in the Ozone Conference. He is also trying to complete negotiations with the Treasury on RSG and the reliefs package in time for next Wednesday's meeting of E(LG). Although Mr. Patten has not himself sought a postponement, Terry thinks it would be very much appreciated if it were offered.

You are tied up two days next week with the NATO Summit and leave immediately afterwards for Houston. We can almost certainly put the time on Monday afternoon to good use, e.g. in developing further ideas about a reshuffle and any preparatory work on the handling of the NATO Summit.

Content to postpone the seminar until the end of the month?

AT

Yes – no gladly!

ANDREW TURNBULL

28 June 1990

A:\pps\vfm (pmm)

PERSONAL

cst.ps/let/8nl27.6

UNCLASSIFIED

CEPU.

n.b. P.M.
BHP
28/6

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Lord Mackay of Clashfern
Lord Chancellor's Department
House of Lords
London
SW1A OPW

27 June 1990

Dear Lord Chancellor

ESTABLISHMENT OF THE LAND REGISTRY AS AN EXECUTIVE AGENCY

Thank you for copying to me your letter of 21 June to Richard Luce about agency status for the Land Registry.

On the basis of the framework document and the improved efficiency and quality of service targets enclosed with your letter I am happy that the Land Registry should be launched as an executive agency on 2 July.

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

Yours sincerely

Kleen Campbell

NORMAN LAMONT

Approved by the Chief Secretary and signed in his absence


28. 06.
AM 9 0

MRCM/6964p

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000

From the Secretary of State for Social Security

n.b. P.M.
BTP 26/6

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

26th June 1990

Dear Nick,

FUTURE OF THE DEREGULATION INITIATIVE

I have seen your letter of 24 May 1990 to John Major and attached report in which you outline your proposals for the future of the Deregulation Initiative, and your further letter of 19 June 1990 welcoming discussion of this matter at E(CP) on 27 June 1990. I am responding in writing as I shall not be attending the meeting.

I do not think there is any doubt that this Initiative has been a worthwhile enterprise. As you know my Department has always cooperated fully with the central Deregulation Unit, and has come up with some useful innovations. I note that you are looking for a renewed commitment from Departments and I see no problem in continuing with existing Deregulation policy; my officials will continue to work with DU officials as before.

I do however share colleagues' reservations about basing a new programme of work on the DU's Business Case Studies Report. Oliver Henley in his response to this report outlined the relevant work my Department already had in hand and I must say that I do not think the studies gave this Department any clear steers in any new direction.

I also have reservations about your proposals for strengthening Compliance Cost Assessment procedures. The primary purpose of the CCA is to inform our decision-making process and I am not sure that their inclusion in White Papers and Notes on Bills would markedly further this aim. Indeed raising the profile of CCAs in this way could lead to considerable controversy where for example a Bill was passing through the House - especially as it might be difficult to establish universally acceptable figures of business costs in the period leading up to publication of Bills etc, as opposed to estimates for internal Government use. Debate on the validity of the figures would doubtless be used as a pretext for attacking our basic policy intentions. This is not to say that I do not think we should look for improvements in this area. I understand that an inter-departmental working group of officials has only relatively recently agreed and produced revised guidance, format and procedures for production of CCAs. We should perhaps focus on the monitoring

E.R.

of these new arrangements at this stage, before making any decision to go further.

Copies of this letter go to the Prime Minister, members of E(CP), other members of the Cabinet and to Sir Robin Butler.

Yours ever.
Tony

TONY NEWTON



26.06.

GOV MACH : Rayner Pt 34

PRIME MINISTER 21 June 1990

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

Mr Ridley's letter to the Chancellor of 9 June restates the important supply-side considerations which you originally identified for the deregulation initiative. He also accepts that the Enterprise and Deregulation Unit (EDU) must not trespass on other Departments' areas of policy, especially fiscal policy. But he also reaffirms his belief in the need for a strong EDU to give the political aim of deregulation some real impetus.

He acknowledges the "persistent doubts" which the Treasury has expressed on this point and hopes that E(CP) will have a candid discussion "as to whether the Initiative itself is any longer worthwhile".

Past friction between the EDU and Departments must not be allowed to kill off an Initiative which the business community would like to see revived. Mr Ridley's approach offers something of a fresh start, but it must be matched by the greater willingness of colleagues to give deregulation the political impetus which it has lost.

Perhaps the word itself causes problems. Regulations are inevitable and increasing but business and consumer alike need them to be simple and cost-effective. An effective EDU is necessary to monitor what is going on, particularly in the small business sector for whom there is no doubt whatever that the Initiative is worthwhile.

Howell Harris Hughes

HOWELL HARRIS HUGHES

NDPM 25/6 cc PS.

SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switsfwrdd)
071-270 0538 (Llinell Union)
Fax: 071-270 0561

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switchboard)
071-270 0538 (Direct Line)
Fax: 071-270 0561

From The Secretary of State for Wales

The Rt Hon David Hunt MBE MP

CT/4474/90

21st June 1990

Dear John

FUTURE ORGANISATION OF ADAS

Thank you for sending me a copy of your minute of 5 June to the Prime Minister.

I agree in principle with the proposals you have made with regard to the future organisation of the Farm and Countryside Service (FCS) and the Central Science Laboratories (CSL).

You will appreciate, however, that any announcement along the lines you propose will generate a number of very important questions relating to what happens in Wales. The two most obvious issues will be first, whether or not there should be a separate Welsh agency; and second, the status and future prospects of Welsh Office Agriculture Department staff currently assigned to provide support to ADAS in Wales. Since 1 in 5 of the Welsh Office staff work in the Agriculture Department, and 1 in 3 of those work wholly or partly for the FCS, you will see that this of great internal sensitivity.

I will need time to consider how to approach these issues and you and I will no doubt need to discuss the possible options after my officials have analysed the pros and cons of each option.

Therefore, although I can agree to the establishment of agencies for FCS and CSL I must ask that you delay any announcement until you and I have a firmer understanding on the precise model for FCS which will be created, and our officials can ensure that consultation with staff proceeds exactly in parallel.

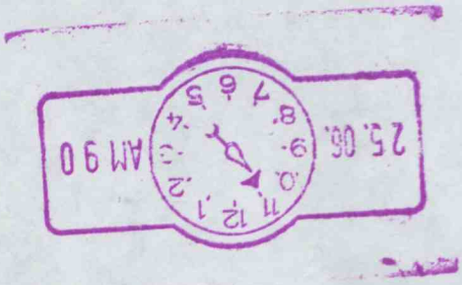
I am copying this letter to the Prime Minister, to members of E(A) and to Sir Robin Butler.

Yours ever

David

The Rt Hon John Gummer MP
Minister of Agriculture Fisheries
and Food
MAFF
Whitehall Place
LONDON SW1A 2HH

GOVT MACH: Rayner Pt 34



NDPM
BT 18/6

CCP/U

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon J S Gummer Esq
Ministry of Agriculture,
Fisheries and Food
Whitehall Place
LONDON
SW1A 2HH

19 June 1990

Dear John,

FUTURE ORGANISATION OF ADAS

I have seen a copy of your minute of 5 June about the future organisation of ADAS.

Aap

I support your proposal to make an announcement about the organisation of ADAS along the lines you propose. There is no need for any corresponding announcement for Scotland, since of course our arrangements are quite different from yours. Advisory services here are provided by the Scottish Agricultural College (SAC), which also provides educational services and R&D services, the latter also being provided by the Scottish Agricultural Research Institutes. Both SAC and the Institutes are NDPBs which already compete for commercial work; and SAC in particular has been set an income target for those advisory services for which it charges. We are therefore already well down the road of having a more arm's-length relationship with the providers of agricultural services in Scotland, and I would not propose to change the present Scottish arrangements.

Copies of this letter go to the Prime Minister, E(A) colleagues, and Sir Robin Butler.

Yours ever,

MALCOLM RIFKIND

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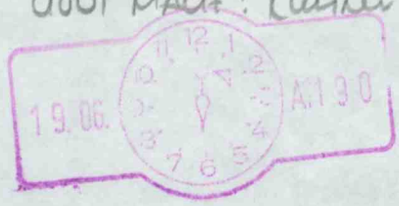
GOUT MACH: Rainer PT34.

19.06. A190



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MANAGEMENT IN CONFIDENCE

MBPM
+cc FERB

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Gummer MP
Minister of Agriculture, Fisheries and Food
Whitehall Place
London
SW1A 2HH

18th June 1990

Dear Minister

FUTURE ORGANISATION OF ADAS

Thank you for copying to me your minute of 5 June with AT to the Prime Minister.

2 I have to say that I am disappointed that you feel unable to proceed with the privatisation of ADAS, particularly of the Farm and Countryside Service. As you say this would be the most logical way forward.

3 I feel that it would be useful if officials could go over the ground in some detail before we reach a final decision, and I understand that my officials have been in touch with yours about a meeting. I will write again in the light of their discussions.

Yours sincerely

Norman Lamont

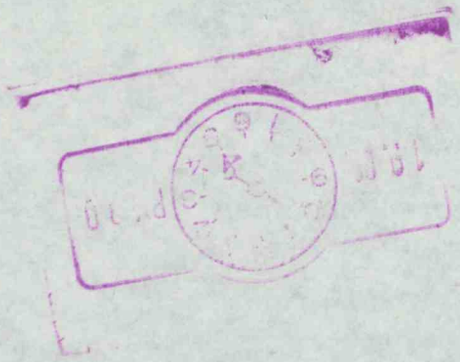
NORMAN LAMONT

Approved by the Chief Secretary and signed in his absence

GOVT NAG1

Rayner

Pt 34



MAFF

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

From the Minister

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

15 June 1990

Dear Secretary of State

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

Thank you for sending me a copy of your letter of 24 May to John Major to which you attached a paper for E(CP) reporting on the progress of the Deregulation Initiative; and making proposals for further work based on the Business Case Studies Report and the continued existence of a substantial Central Deregulation Unit. I have also seen the Prime Minister's comments (Mr Potter's letter of 7 June) and Peter Lilley's letters of 4 June to John Redwood and 8 June to you.

I agree that efforts should continue to be made to promote good regulatory practice and deregulation in the EC. MAFF has more experience in this field than most and my officials will continue to insist that all regulatory proposals are accompanied by a satisfactory assessment of their likely impact on business. They are in touch with DG XXIII already to see what can be done to improve the Commission's performance in this respect. I would also be content with the three specific proposals made in your paper for improving the assessment of the costs of UK legislation, provided that it is actually practicable to obtain the requisite information in the circumstances and it can be obtained without further burdening business in the process.

As for the future programme of work, I have to say that whilst I accept that the Business Case Studies Report yielded yet more anecdotal evidence of the impact of particular regulations and policies on the businessmen interviewed, I do not think that it provides much of a basis for the next phase of my own Ministry's work on deregulation. Jean Trumpington pointed out in her letter to John Redwood of 16 May that there was little

substance in either of the two criticisms made of MAFF. We have no alternative, in the light of public concern, but to maintain very strict controls over egg production and to modernise our arrangements for the safety of food. Of course we weighed in the balance the additional burdens that we may thereby impose on producers and retailers but we concluded that greater weight had to be given to the improvement of food safety.

I also have to say that I am concerned at the inaccuracies in the somewhat cursory progress report attached to your paper. As my officials have pointed out to yours it is not always practicable for Government Departments or the industry to assess compliance costs for an enabling Bill. However, we have from the outset intended to consult organisations on the potential impact of the Regulations to be made under the Food Safety Bill and to prepare proper compliance cost assessments. Again, the progress report incorrectly alleges inadequate consultation on the Veterinary Medicines Licensing Scheme, where full consultation was carried out, in the course of which the industry itself advised wrongly on the number of applications which would be likely to ensue. It is a bit odd to blame lack of consultation for a decision based on extensive consultation with an industry which got its sums wrong. Jean Trumpington gave a very full progress report to John Redwood in her letter of 2 April and the Chairman of your Advisory Panel on Deregulation has written to say how impressed they were with my officials' presentation to them on this subject on 30 May. It therefore came as some surprise to read the comments on the VMLS.

My Ministerial colleagues and I take a close and active interest in deregulation in this Ministry. We believe that deregulation should be monitored and reported on centrally. But there is no continuing need for a central deregulation unit to supervise the action taken by Departments. This change of emphasis would enable a considerable saving in manpower, without any loss of impetus.

Like Peter Lilley, I think that these issues should be considered at E(CP) in view of their importance. I am sending a copy of my letter to the Prime Minister, to members of E(CP), other members of the Cabinet and to Sir Robin Butler.

Yours sincerely
M O'K Hamm

JOHN GUMMER
(approved by the Minister
and signed in his absence)

GOVT MACH: Kayner pt 39

MANAGEMENT IN CONFIDENCE

2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Gummer MP
Ministry of Agriculture, Fisheries and Food
Whitehall Place
LONDON
SW1A 2HH

15 June 1990

Dear Minister

FUTURE ORGANISATION OF ADAS

Thank you for sending me a copy of your minute of 5 June to the Prime Minister.

You refer to the role of FCS in providing non-chargeable conservation advice in line with government policy. Whilst I support your proposals for putting FCS on a trading fund basis I should be interested to know what options you are considering for the future development and funding of this aspect of FCS's work. There are obvious implications for a range of policy issues in which both your Department and mine have an interest.

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

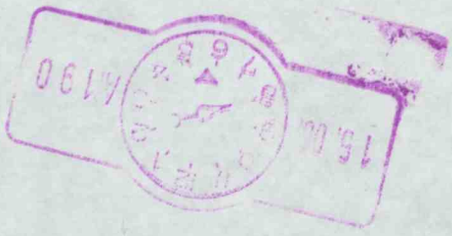
Yours sincerely

P.P. CHRIS PATTEN

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

RECYCLED PAPER

GOUTMACH: Rahner pr 34



AL2 ECH

c/pps/Brereton.

10 DOWNING STREET

From the Principal Private Secretary

MR. BRERETON
Efficiency Unit

ANNOUNCEMENT OF SCRUTINY PROGRAMME 1989-90

I have shown your minute to me of 14 June to the Prime Minister who has noted that, after a dip in 1987-88 and 1988-89 when the Efficiency Unit was working on Next Steps, the level of scrutiny activity and the size of the savings identified have recovered.

I am copying this minute to Miss Phippard in Sir Robin Butler's office.

ANDREW TURNBULL

15 June 1990

n.5.P.M.

MR POTTER **11 June 1990** BHP

12/6

THE DEREGULATION INITIATIVE

The Financial Secretary's letter to Mr Ridley argues that the EDU should:

(a) analyse areas where deregulation is needed and

(b) monitor the compliance cost of new regulations as they come forward. He notes that this would support departments "own front line role in deregulation".

This approach is consistent with the Prime Minister's view about the way in which the Deregulation Initiative should be carried forward, but it will only work in practice if deregulation is given a genuine political impetus - and Mr Lilley's letter does not say anthing about that. The Treasury in particular has to keep on saying that the supply side benefits of deregulation are important.

The Prime Minister might wish to say that she is content to await the outcome of the E(CP) discussion, noting what Mr Lilley says about the EDU role in finding out precisely where deregulation is most needed and monitoring the assessment of compliance costs when new regulations are proposed - but reminding everyone that the administrative arrangements will not produce much unless the political will is there. E(CP) must not be allowed to get bogged down in a demarcation dispute.

Howell Harris Hughes

HOWELL HARRIS HUGHES

Prime Minister

This indicates that after a dip in 1987-88 and 1988-89 when the Unit was working on Next Steps, the level of activity and the savings identified have recovered.

MR TURNBULL

ANNOUNCEMENT OF SCRUTINY PROGRAMME 1989-90

1. Thank you for your note of 29 May following up the PQ announcing the 1989/90 efficiency scrutiny programme.

2. Let me first explain the position on numbers of scrutinies. There were in fact 5 more scrutinies in the central Departmental programme in 1989/90 than in the previous year - 24 as compared with 19. The 33 scrutinies listed in the reply to Lord Nathan's Question on the programme covered the 2-year period from 1 January 1988 to 31 December 1989, whereas our annual announcements relate to the financial year just past. (The figure of 24 scrutinies for 1989/90 includes the YTS2 scrutiny, which the Secretary of State for Employment decided should not be publicly announced. This scrutiny did not therefore appear in the PQ.)

3. You indicated that the Prime Minister would be interested to see a table setting out, for the past 5 years, the number of scrutinies, the savings identified and of those, the savings achieved. I now attach a table and associated graph showing numbers of scrutinies, savings recommended in scrutiny reports and the savings accepted by Departments.

4. The recommended savings figures are an indicator of the continuing success of the scrutiny programme. The 1989/90 programme has yielded recommended recurring savings of over £200m., plus a one-off saving of £50m. Accepted savings already total £121m with action plans for a number of scrutinies not yet complete. A significant proportion of these savings arise from 2 or 3 scrutinies of major areas of expenditure. Others will yield less or perhaps no measurable savings and increasingly we look for other measures of success, such as increased effectiveness through better management of programmes, for example in the scrutiny of funding of the voluntary sector.

5. On the savings actually achieved over this period, results up to 1986/87 - the latest year for which completed implementation reports on all scrutinies are available - suggest that about 50% of accepted savings were implemented within 2 years. The trend to broader scrutiny topics referred to above means that some savings are taking longer than 2 years to achieve. In conjunction with Departments, we are about to review and update the information held in the Unit on savings actually achieved since 1986/87. Sir Angus will be reporting to the Prime Minister in more detail on the achievement of savings in his annual note this autumn.

6. I am sending a copy of this note and the attachments to Sonia Phippard.

DMB

DON BRERETON
14 June 1990

Efficiency Scrutiny Savings

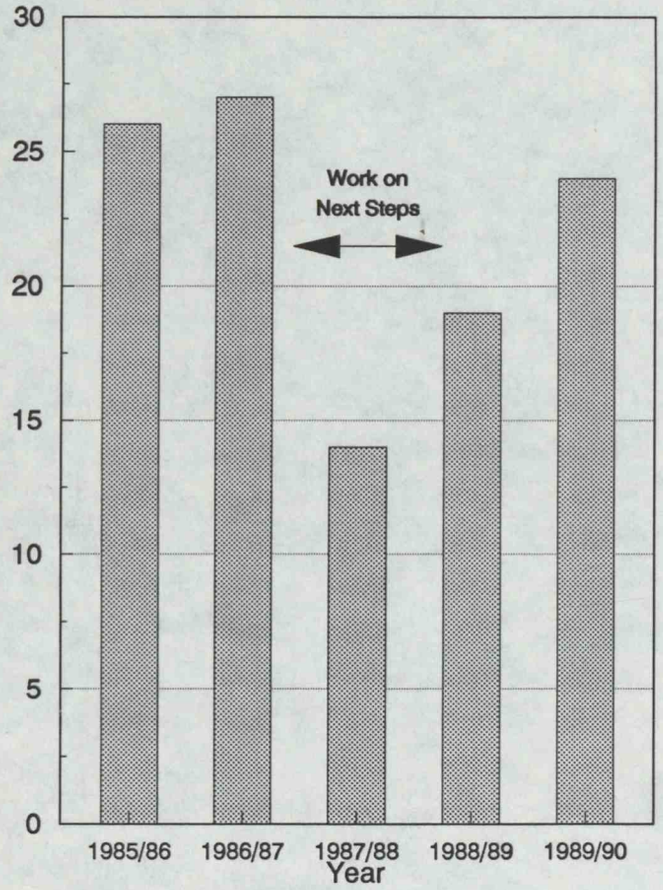
	1985-86	1986-87	1987-88	1988-89	1989-90
Number					
Number of Scrutinies (Central Departmental programme)	26	27	14	19	24

	1985-86		1986-87		1987-88		1988-89		1989-90	
	Rec	Acc	Rec	Acc	Rec	Acc	Rec	Acc	Rec	Acc
Savings (Recommended in report and accepted by Department)					£m					
Annual	128	62	112	90	84	56	52	49	205	121*
Once Off	0	0	1	1	0	0	15	15	49	49
Percentage acceptance of savings (ratio of accepted to recommended savings)					%					
Annual	48		80		67		95		59*	
Once off	-		100		-		100		100	

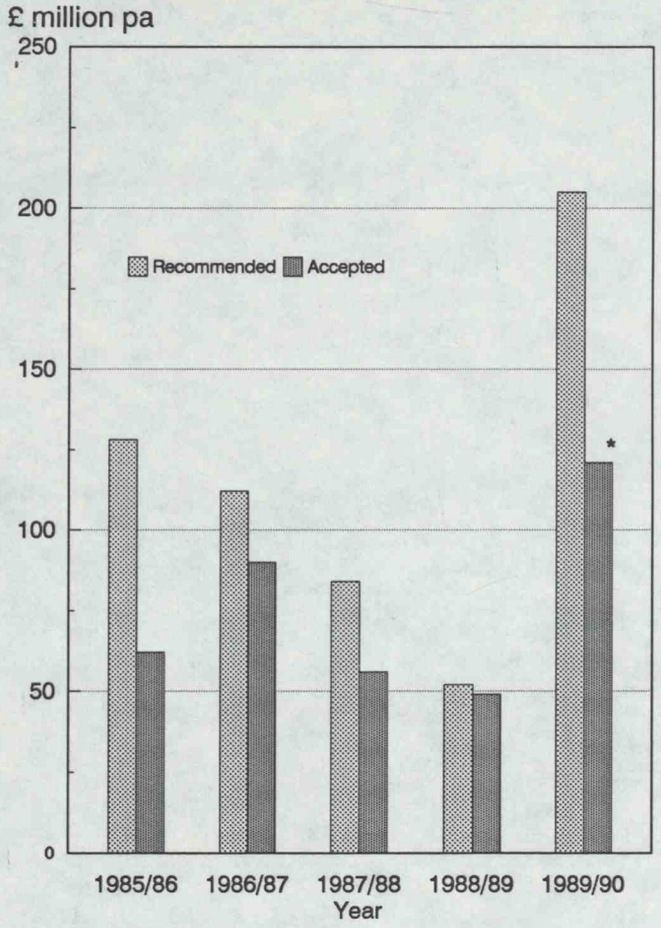
* accepted so far from 12 out of 24 scrutinies

Efficiency Scrutinies

Number



Annual Savings



* accepted so far

June 1990

To await Treasury response
AF 11/6

Ref. A090/1370

MR TURNBULL

Future Organisation of ADAS

The Minister for Agriculture, Fisheries and Food minuted the Prime Minister on 5 June about the future of the Farm and Countryside Service (FCS) and the Research and Development Service (RDS), both parts of the Agriculture Development and Advisory Service (ADAS) in his Department.

2. He has considered both operations in terms of their suitability for both privatisation and as Next Steps Agencies. He has concluded that, at this stage, Agency status is the preferred option. He has in mind two Agencies: one comprising the Central Science Laboratory, one of the main parts of RDS, and the other an amalgamation of the Farm and Countryside Service and the Experimental Husbandry Farms, the other principle component of the RDS. Together the two Agencies would cover around 2,500 staff.

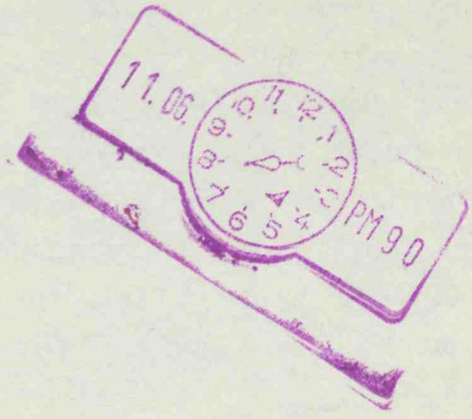
3. The question of privatisation needs to be addressed in the case of these two activities and Mr Gummer has presented the issues in his minute. The arguments for privatisation are stronger in the case of the FCS. If Ministers decide that privatisation is not the right option at least not at this stage - and I understand that the Treasury may contest that view and suggest further consideration - it is my view and that of Peter Kemp that these are strong candidates for Agency status and that there would be considerable benefits to be gained from going down that route.

4. Whichever option Ministers decide on for either organisation I believe that Mr Gummer is right in saying that the Government should seek not to prolong uncertainty which might lead to inertia in the organisation and make it hard to implement the kind of real management change which we are looking for. I suggest that the Prime Minister should await the Treasury's comments before reaching a view, but should then direct that if further work is to be done on the option of privatisation it should be done quickly with a view to enabling a decision to be made and announced before the Summer Recess. My own feeling is that Mr Gummer is right about the difficulty of privatisation and that agency status is the right course for both bodies, although the announcement could refer to privatisation as a longer-term possibility.

F.E.R.B.

ROBIN BUTLER

11 June 1990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dti

the department for Enterprise

n.b. P.M. BHP 28/6

CC PM

CONFIDENTIAL

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon John Major MP
Chancellor of the Exchequer
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071 215 5622
Our ref
Your ref PB1AOH
Date 9 June 1990

Dear Chancellor of the Exchequer

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

I was grateful for Peter Lilley's letter of ~~8~~ June; and I have also seen his letter of 4 June to John Redwood on the Business Case Studies. Given the misgivings which you and Peter Lilley clearly have about the Deregulation Initiative, I shall welcome a discussion in E(CP) and am only sorry that it could not be managed a month ago.

The key issue, it seems to me, is whether we wish to proceed with a further stage of the Deregulation Initiative, and the basis on which we wish to do so. I am convinced that the Initiative should continue. After all, it forms part - and a much publicised part - of our supply side policy, which hinges on promoting a climate favouring enterprise and prosperity. True, we can achieve much with sound fiscal management and opening markets to greater competition. But new and developing businesses need more than that, because they are particularly vulnerable to the dead weight of unnecessary or ill-conceived controls. That is why we set up the Initiative, with a central Deregulation Unit as its dedicated instrument. Both hang together, and I do not believe we could announce their termination without incurring criticism from our supporters inside and outside Parliament and from business organisations.

I recognise however that we must avoid the Initiative becoming an esoteric pursuit of deregulation for its own sake. That was why I sought a new perspective, and set in hand the Business Case

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the department for Enterprise

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Studies to anchor work once again in the firmer ground of business's real concerns. Of course, the Case Studies themselves are no more than a rough guide to business opinion (although similar results have emerged from the Deregulation Advisory Panel Chairman's consultation with Chambers of Commerce, and from Nat West's Quarterly Survey of Small Business in Britain). Even accepting Peter Lilley's contention that the Report covered some "old ground", that does not invalidate its findings, which also underlined the damaging effect on business on some recent regulatory initiatives. The task now is to flesh out a manageable and practical programme (leaving flexibility to react if other unnecessary burdens on business come to light or seem likely to be imposed). This will need colleagues' officials to work with the central Deregulation Unit to select issues offering real scope for deregulatory action (a process envisaged in the note enclosed with my letter to you of 24 May). I continue to regard this process as an essential complement to discussions and decisions by colleagues in the E(CP) framework.

In essence, the Deregulation Initiative is concerned with freeing the economy from unnecessary burdens on business, and enhancing competition, and the competitiveness of UK firms, in the process. I have always taken it that the Treasury remains firmly committed to this strand of economic policy. Equally, however, I recognise your Department's concern with fiscal policy issues associated with, for example, tax and national insurance; and I agree with your clear view that fiscal policy should be excused from examination within the framework of the Deregulation Initiative.

For my part, I strongly believe that the Initiative should continue. But I am also clear that it cannot be continued without a Unit of sufficient weight: and, if you and other colleagues have persistent doubts about the central Deregulation Unit and its activities, then there are implications - which we should discuss candidly - as to whether the Initiative itself is any longer worthwhile. For all these reasons, I shall welcome a discussion on 27 June.

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

Yours sincerely

Rosalind Cook

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

Recycled Paper

GOVT MACH: Rayner PT34

19.0 PM 9.0



fst.sb/Lilley/7.6.90.8

ccP/U

N.b. P.M.
tele E(CP)
RHP
15/6

FINANCIAL SECRETARY TO THE TREASURY

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 OET

8 June 1990

Dear Nick,

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

You wrote to the Chancellor ~~24~~ May. I have also seen the Prime Minister's comments (Mr Potter's letter of 7 June). I have discussed this with John, and while we appreciate your concern to maintain momentum, if the initiative is to be effective, we think that collective discussion in E(CP) of its future direction is important. Since MISC 133 was dissolved and the subject of deregulation transferred to E(CP) we have not had a discussion on it. The next meeting is now scheduled for 27 June: discussion then of your proposals would not seriously delay their implementation.

Such a discussion could in particular address the future of the Deregulation Unit. I note that you do not propose a specific work programme but instead rely largely on recommendations in the Business Case Studies Report as the basis for future deregulation work. As I and other colleagues have pointed out, that report was not a representative study and recommended further work on a good deal of old ground which has already been the subject of deregulation reviews. There must be diminishing returns to further such studies. The report also made recommendations on matters of tax policy which are not within the scope of the Deregulation Initiative. I therefore doubt whether the report provides a sound basis on which to build a further 18 months work.

fst.sb/Lilley/8.6.90.1

FINANCIAL SECRETARY TO THE TREASURY

Whatever our view on the usefulness of the Business Case Studies Report, I think that a specific future work programme for the Deregulation Unit is essential. I have previously been concerned that the Unit's work has suffered from not being sufficiently targeted on those areas with scope for significant deregulatory gains. As a result, it is questionable whether we have seen the benefits to justify the amount of work put in by both the Unit and departments. The initiative as a whole has suffered as a result. To remedy this, I believe we must be clearer about the Unit's role and what work it should actually be doing.

I should prefer to see the Unit concentrate on monitoring compliance cost assessments of new regulations, and undertaking soundly-based analysis of areas where there is realistic scope for reducing burdens on business. By concentrating on this monitoring and research role, the EDU would support departments' own frontline role in deregulation, rather than becoming entangled in policy issues which are rightly for departments. This may point to a slimmer Unit, but until we are clearer about its role and work programme it is difficult to reach a final view on its appropriate size. By clarifying our thoughts on these issues I think that a discussion could help ensure the Deregulation Initiative is pursued effectively.

Copies of this letter go to the Prime Minister, members of E(CP), other members of the Cabinet and to Sir Robin Butler.

Yours ever

Peter

PETER LILLEY

GOVT MACH : Rayner PT34.

CONFIDENTIAL

MR TURNBULL

8 June 1990

FUTURE ORGANISATION OF ADAS

John Gummer has minuted to the Prime Minister saying that while logic points to privatising ADAS, (except for the Central Science laboratories), political considerations point to agency status instead. He suggests that this would not exclude privatisation at a later stage.

MAFF have been agonising about this for nearly two years. They have also been very secretive (ADAS staff account for nearly half of the Ministry). In 1988 they could not face either agency status or privatisation. John Gummer personally favours privatisation, but has concluded that it looks difficult as we approach an election.

His political judgment is probably right: privatisation would be unpopular with many farmers. There are no big revenue gains - at best we would be disposing of a loss-making operation.

On the other hand, the Farm and Countryside Service, as part of Government, is a nonsense. We would never set it up today. It is no task of civil servants to advise farmers, for example, on how to diversify. Such advice can be bought from agricultural consultants.

So there is a good prima facie case for privatisation. The Treasury are disappointed that MAFF have swung away from it. They want to explore the case for agency status (which has not been discussed with Richard Wilson's side of the Treasury) before reaching a view. They are nervous that agency status could simply lead to ADAS remaining part of the civil service at higher pay rates. I also suspect the motives of MAFF's hierarchy.

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Having spoken to Richard Wilson, I hope that the next step will be a letter from the Chief Secretary saying that he would like officials to discuss this proposition first. After two years, there is no tearing hurry. (John Gummer wants to make an announcement at the Royal Show on 3 July, but that is not a compelling reason for a quick decision). I propose to go to any official meeting and advise you further.

CAROLYN SINCLAIR

MANAGEMENT IN CONFIDENCE

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

8 June 1990

Dear John,

FUTURE ORGANISATION OF ADAS

Thank you for copying to me your minute to the Prime Minister of 5 June about the future organisation of the Farm and Countryside Service (FCS) and the Research and Development Service (RDS) of ADAS in the light of the Next Steps policy. I recognise the problems of cost recovery facing ADAS as it is structured and I therefore agree with your recommendation for agency status.

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

Yours sincerely

BELSTEAD

The Rt Hon John Gummer, MP

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CONFIDENTIAL

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10 DOWNING STREET

LONDON SW1A 2AA

7 June 1990

From the Private Secretary

Dear Martin,

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

The Prime Minister has seen a copy of your Secretary of State's letter of 24 May to the Chancellor, covering a paper on the future direction of the Deregulation Initiative.

Subject to further comment from the Chancellor and other members of E(CP), the Prime Minister would be content to proceed with the work programme proposed for the Enterprise and Development Unit and the wider Deregulation Initiative.

I am copying this letter to the Private Secretaries of other members of E(CP) and Sonia Phippard (Cabinet Office).

Yours ever,

Barry

BARRY H. POTTER

Martin Stanley, Esq.,
Department of Trade and Industry

CONFIDENTIAL

KW

MR POTTER

7 June 1990

BMP 7/6

THE DEREGULATION INITIATIVE

1. Mr Lilley's letter of 4 June to Mr Redwood arises out of an earlier correspondence about the Business Case Studies which the EDU had commissioned. I accept what the Treasury say about the methodology of the Case Studies, but I am worried that the E(CP) meeting on 27 June will end up fighting old battles if the tone of this letter is an indication of the Department's general approach to deregulation.

2. In the past, the EDU has wanted to promote "wider reviews" which looked at tax issues seen by the Treasury as matters of fiscal policy and not of regulation. But in his latest report to the Prime Minister, Mr Ridley has redefined the role of the EDU; he wants it to do "market research" with business to define problem which will then be referred to the deregulators in each department for action. Where several departments are involved, the EDU can co-ordinate and it should also monitor the ultimate outcome - but it is certainly not going to trespass on fiscal policy.

3. If the Treasury can be brought to accept that there is a genuine change of approach, Mr Ridley's proposals ought to command Treasury support if it is accepted that the original objectives of the Deregulation Initiative are still valid. Business is very conscious of the rising tide of regulation in so many areas and wants reassurance that this government will take seriously the business of measuring the costs of compliance.

4. How precisely the EDU does its job is something which E(CP) can properly discuss, but I think it would be very valuable if the Prime Minister felt able to minute her support for Mr Ridley's objectives before the E(CP) meeting takes place. She could certainly emphasise the importance of leaving departments to tackle deregulation in their own areas, which would cover the Treasury's legitimate concern, whilst restating the political need not to let deregulation grind to a complete halt. The role of the EDU itself can be redefined to

minimise interdepartmental problems whilst underlining our political commitment to the idea.

Howell Harris Hughes

HOWELL HARRIS HUGHES

PRIME MINISTER

E(CP): FUTURE OF DEREGULATION INITIATIVE

The future of the Government Deregulation Initiative was to have been discussed at an E(CP) meeting last month. Unfortunately the meeting had to be postponed.

Accordingly, Mr. Ridley wrote to the Chancellor and colleagues (Flag A) proposing that, without a further meeting of E(CP), the Ministerial Committee should approve a continuation of the initiative. Specifically he proposes:

- further Case Studies to examine issues of concern to business particularly on regulation, Government Department activities etc.;

- improved assessments of compliance costs for business: this might include giving a quantification of costs of new regulatory proposals on businesses in White Papers etc.;

- the Enterprise and Deregulation Unit (EDU), within DTI, to carry out the above tasks.

A letter from the Financial Secretary of 4 June (Flag B) expresses some doubts about the value of continuing with the EDU's case studies of business. It argues that their evidence is anecdotal; that general complaints about the tax system should not be taken too seriously; and that specific tax issues are outside their agreed scope of work. It is also the Treasury view that the work of the deregulation initiative should be reviewed again by E(CP) - they are not convinced the EDU needs to be maintained.

At Flag C is a note from the Policy Unit: this recommends (broadly) that the Deregulation Initiative and the EDU should be allowed to continue as Mr. Ridley proposes.

Since there is clearly a difference of view between the Department of Trade and Industry and the Treasury, it seems better that the matter should be reviewed at E(CP).

Are you content to leave it to E(CP) to take the matter forward?

Or

Do you wish to endorse the proposal that the work of the Deregulation Initiative and the EDU should continue?

Yes

BHP

MT

BARRY H. POTTER

6 June 1990

c:\wpdocs\economic\edu.dca

cc Miss Sinclair

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

From the Minister

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

FUTURE ORGANISATION OF ADAS

I have been considering the future organisation of the Farm & Countryside Service (FCS) and the Research & Development Service (RDS) of ADAS in the light of our Next Steps policy.

The FCS provides a range of advisory services to farmers and others. Following the passage of the Agriculture Act 1986, the FCS has provided the services on a commercial basis and we have set a cost recovery target of 50% by 1993-94 for charged advice with a longer term requirement to move to full cost recovery. In 1989-90, the revenue derived from the FCS services accounted for some 23% of FEC. Along with its commercial services, FCS also carries out a range of functions on behalf of Government. These functions account for some one-third of the total manpower resource.

The advice provided by the FCS has also rested in large part on the work carried out at several Experimental Husbandry Farms (EHFs) which are now one of the two main arms of the RDS. However, the programme of work at the EHFs has been heavily restructured over recent years to concentrate much less on development and demonstration-type activities and much more on public good R & D, covering areas such as

environmental issues (eg nitrate leaching) and animal health and welfare (eg BSE). Commissioned R & D represented 80% of the work of the EHFs side of RDS in 1989-90.

Some of this work is conducted in close co-operation with the other main part of the RDS, the Central Science Laboratories (CSL). They are responsible for a range of functions which support Government policy in a variety of areas of scientific work including pesticide registration and approval, plant health and wildlife management. Some 90% of the CSL work is directly related to the needs of Government and only 10% is commercially funded research and development. I have concluded that the CSL should not be regarded as a candidate for privatisation and that it should be established as an agency.

For the FCS, the most logical way forward, given the decision by Government to commercialise the FCS with demanding financial targets, would be to privatise it. Radical changes in structure and organisation will be required if the FCS is to achieve its cost recovery target of 50% by 1993-94; and even more so if it is to move thereafter to full cost recovery. All the present Directors of ADAS, including the three External Directors who have been brought onto the Board to help with the commercialisation, are agreed that it will not be possible within the public sector to provide the scope for innovation and initiative which will be necessary to establish the FCS successfully as a fully commercial operation. The inevitable deadweight of a Government organisation on cost and management systems would be a hindrance in moving to full economic cost recovery. They have recommended, therefore, that I should announce straight away the intention to privatise and that detailed studies should be commissioned from outside accountants on how privatisation of the organisation could be best achieved.

I have given careful thought to this advice. But there are a number of problems in the way of privatisation at the present time. First - and most importantly - I am advised that privatisation could not take place without legislation similar to that now proceeding for PSA privatisation. I judge that we should not find it possible to bring forward legislation on this before the election. Nor could we give any commitment that this legislation would be one of our priorities in the new Parliament. Against this background, I have concluded that it would leave the FCS for too long in a state of limbo if we announced the intention to privatise now with no certainty about when this could be given effect.

This long gap between announcement and any possible implementation could make it very difficult to hold in check the large number of articulate lobbyists within the farming industry who would use the time to undermine the policy. The agricultural industry greatly values the FCS as a source of independent non-commercial advice. It is uncertain whether a privatised FCS would find it commercially viable to provide services throughout England and Wales. They might well decide that some more remote areas of the country could not continue to be serviced commercially. Farming interests would undoubtedly raise these sort of issues. We should have to expect an announcement on privatisation to arouse strong opposition from some sections of the farming community. Three or four years of gestation would give them every opportunity to focus the industry's concern.

Yet beyond these timing problems is a more fundamental concern which I do not believe the ADAS Board has yet grappled with effectively. Along with its commercial services, the FCS provides essential back-up to the Ministry in developing and implementing national and Community policies. We look to FCS, for example, for advisory services which are not chargeable on conservation issues in line with Government policy and for a range of other public policy

functions. We should need to continue to fund these services, from a privatised ADAS or from some other outside organisation if the necessary resources were no longer available within Government. At this time of growing concern about food safety, farming practices and pollution I believe we could not afford to be unclear about the way in which we intended to meet the need for these services.

Nevertheless to do nothing is not a feasible option. FCS has been very successful in turning itself around from an organisation offering free advice and development work into a commercial body selling itself and its services in the market-place. It is a great credit to the staff concerned that they have achieved so much in a short time. They understandably are looking for a decision about the future and I am quite clear that we must very soon make a statement which will remove the uncertainty and make clear our commitment to the future.

I have concluded, therefore, that we should go ahead and announce that the FCS, together with the EHFs, will be established as separate agency with the intention that it will as soon as possible become a trading fund. If we proceed in this way, it will not exclude a decision at a later stage to privatise, providing that we have taken steps to give the new agency the maximum possible commercial freedom to develop its business in the meantime. It is necessary that we plan to give the agency's management substantial freedom - in particular on financial incentives - if they are to stand any realistic chance of exceeding 50% cost recovery for the main area of consultancy work.

It is widely assumed that privatisation of the FCS is an option which Government has been considering and we must be prepared to be questioned on this when we announce a decision to establish an agency. I propose that we say take the line that the FCS has important business not only with

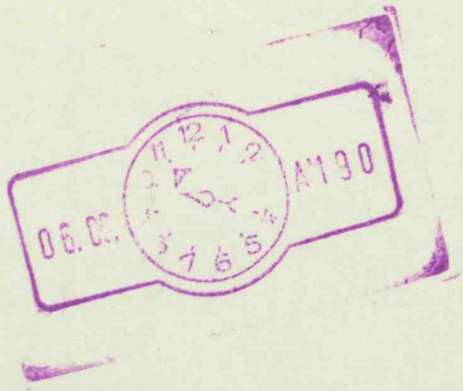
the private sector but also in undertaking essential functions for the Government. For its own public policy purposes, the Government needs many of the skills which can now only be found in the FCS. The move to agency status would be designed to enable the creation of a modern efficient organisation servicing both commercial and government customers. I would not rule out the possibility that privatisation would be considered again in a few years in the light of circumstances at the time. But I would want to stress that, meanwhile, we shall be looking to the FCS to develop its commercial activities within the framework of an agency which will be structured to give maximum encouragement to commercial developments and innovations.

I should be grateful to know if colleagues agree that I should proceed with an announcement along these lines and inform the staff concerned at the same time. I shall, of course, clear the terms of the announcement with the Chief Secretary.

I am copying this minute to members of E(A) and Sir Robin Butler.

J S G

Ministry of Agriculture, Fisheries and Food
5 June 1990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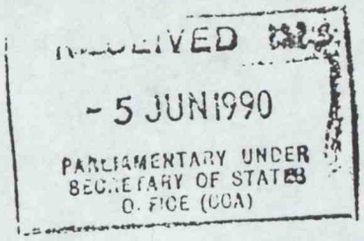

Treasury Chambers, Parliament Street, SW1P 3AG

John Redwood Esq MP
Parliamentary Under Secretary of
State for Corporate Affairs
Department of Trade and Industry
1-19 Victoria Street
LONDON
SW1H 0ET

4 June 1990

TO Mr Nicholson
FOR ADVICE AND DRAFT REPLY IF APPROPRIATE
PLEASE BY: 12.6

Copies to:
Mr Knighton
Mr Cooke
Mr McBride

Dear Minister

THE DEREGULATION INITIATIVE: BUSINESS CASE STUDIES REPORT

Thank you for your letter of 11 April giving details of the outcome of the EDU's case studies of business.

I have to say that I have some strong reservations about the report.

For a start, it was not a representative study, it was based largely on anecdotal evidence, and it is not surprising that, given the opportunity, there were complaints about the tax system; after all, no-one likes paying tax, and it would be unrealistic to expect businesses ever to be enthusiastic about doing so. Consequently, I am reluctant to place too much weight upon the conclusions.

Second, as you point out, a good number of the issues covered are not new. Having been over the ground previously, I am doubtful of the value of reviewing them again.

Third, one of the report's recommendations, that consideration be given in the current Deregulation Review to raising the P11D threshold and taking expenses and benefits out of tax, raises questions of tax policy. These are, of course, matters for the Chancellor and were specifically excluded from the terms of reference of this review, in keeping with our settled policy.

fst.sb/Lilley/4.6.90.1

Fourth, the report, taken as a whole, gives an unbalanced, and unnecessarily bleak, picture of the Government's efforts on behalf of small businesses. You will know, in particular, of the measures announced in the last Budget, including further increases in the thresholds for the small companies rate of corporation tax and the introduction of comprehensive VAT relief on bad debts. As the Chancellor said in his Budget speech, we now have the most favourable corporation tax regime for small businesses in the EC. The rate of businesses newly registering for VAT - currently running, according to VAT registration figures, at a record level of 5,000 a week - scarcely suggests a crisis of increasing regulation. Rather it reflects our success in setting the right tax policy to encourage enterprise.

I suggest we consider whether the report provides a useful basis for any further work, when we consider the EDU's future work programme as a whole in E(CP).

Copies go to other Ministers with deregulation responsibilities.

PETER LILLEY

Dictated by the Financial Secretary and signed in his absence

RESTRICTED

RtRidley.HK

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

Telephone 071-273 5803
Telex 915564 Fax 071-273 5821

Secretary 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 OET

2nd June 1990

Dear Nicholas

THE FUTURE OF THE DEREGULATION INITIATIVE

Your letter of 24 May to John Major sought views on the future direction of the deregulation initiative.

I was pleased to note that the progress report you attached recognised a number of my Department's deregulatory achievements since the 1988 White Paper.

I am convinced that deregulation must remain a central and continuing plank of our policy. It is, of course, particularly important for the future of small firms and I am encouraged to see that the cumulative burden of Government regulations on small businesses will be a central focus of the Deregulation Initiative.

The Business Case Studies report suggests that there should be enough work to justify an 18 month programme, but given the importance of maintaining momentum on deregulation, it will be important to monitor progress closely.

Yours ever
Michael

MICHAEL HOWARD

Employment Department · Training Agency
Health and Safety Executive · ACAS

RESTRICTED

Govt Mach's Range

R 34



PRIME MINISTER

1 June 1990

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

Mr Ridley's letter of 24 May reports to you on the progress of the Initiative and seeks the support of colleagues for a further programme of work.

Progress

Mr Ridley shows that the public targets of the last 18 months have largely been achieved, but the Business Case Studies which he commissioned last Christmas make it absolutely clear that there is a tremendous amount still to do. The burden of old and new regulation imposed by central and local government is still heavy. It is of course worst for the smallest businesses which are not organised to make representations when consultation is going on. Annex A illustrates just a few of the problems which the Case Studies found. (not attached)

As the 1988 White Paper, Releasing Enterprise, said - "deregulation is central to the Government's strategy for wealth creation". It also declared that "it is a continuous, gruelling task". On the evidence of his Case Studies, Mr Ridley is right to say that "Departments have not yet moved far enough or fast enough".

Future Programme of Work

Mr Ridley wants to use the specific Case Studies as the basis for another 18-month campaign. It would have clear political value because the small business groups, in particular, certainly think that Whitehall is losing interest. But, although the Enterprise and Deregulation Unit in the DTI can do the Case Studies and co-ordinate the programme, it is not for the EDU to tackle specific problems. That must be for individual departments and it needs a strong commitment from colleagues to make it happen. The report implies that the commitment is lacking.

Counting Business Costs

Doing something about the existing problems with which business has to grapple is half the issue. Mr Ridley also wants the support of colleagues for the serious enforcement of rules which would make departments estimate the costs for business of complying with new regulations. That information should be published in White Papers, Ministerial bids for legislative programme and notes accompanying published Bills.

There is constant pressure for new regulation to do with the environment, food safety etc. It is "not free of charge" and good government must want to enact that regulation in the most cost-effective way. Unless this discipline is imposed, all the benefits from dealing with the problems raised by Case Studies will be buried under an avalanche of new and equally onerous regulation.

The Deregulation Unit

Mr Ridley wants the EDU to go on doing the Case Studies which tell us which regulations are problems for small business in particular. It can also co-ordinate work which involves several departments and monitor progress of the whole initiative. This gives a focus to a political campaign to help business, and it leaves departments with their own specific responsibilities. Mr Ridley has rightly steered away from getting the EDU involved in wide ranging discussion of things which are, for example, matters of fiscal policy.

Regulation from Brussels

This is inevitably the weak link in the proposals. Support for DGXXIII is not likely to achieve very much as things stand. In the short term, individual departments must be alerted to tell the EDU when they think that new Euro-regulation is likely to be onerous. Armed with Case Studies of that sort, Mr Ridley's hope of mobilizing opinion in other Member States might come to something. Again, colleagues must give the job a higher political priority.

CONCLUSION

(a) That Case Studies show that the Deregulation Initiative has not achieved enough. Business, especially small business, is still tied up with red tape.

(b) That the pressure for new regulation in areas such as food safety and the environment is growing. It must be costed realistically at every stage.

RECOMMENDATION

(a) That the Enterprise and Deregulation Unit is authorised to run another 18-month campaign based on its Case Studies. Individual departments to tackle specific problems where deregulation or simplification is needed.

(b) The procedures for estimating the costs of complying with new regulation to be strengthened and enforced rigorously.

(c) That individual departments make every effort to alert EDU where new Euro-regulation looks to be onerous. Case Studies to be the raw material for a long term campaign to alter EC attitudes.

(d) That colleagues give back the Deregulation Initiative a political impetus. Our opponents are very free with promises of regulation which never seem to cost anything.

Howell Harris Hughes

HOWELL HARRIS HUGHES

cc Dmais

10 DOWNING STREET

From the Principal Private Secretary

MR. BRERETON

ANNOUNCEMENT OF SCRUTINY PROGRAMME 1989-90

The Prime Minister has seen your minute to me of 25 May and was content for the results of the 1989-90 scrutiny programme to be publicised through a PQ which she will answer. We will make arrangements for this Question to be tabled and answered when the House reassembles.

The Prime Minister has noted that the number of scrutinies is less than the previous year. She would be interested to see a table setting out, for the last five years, the number of scrutinies, the savings identified, and of those the savings achieved.

I am copying this minute to Sonia Phippard (Cabinet Office).

ANDREW TURNBULL

29 May 1990

Prime Minister
Content for the PQ to be answered as proposed?

I suggest I ask Efficiency Unit for some bad figures on numbers of scrutinies, savings identified and made in order to see that the Unit is keeping up momentum. Who scrutinises the scrutineer?

Agreed MT

AT 25/5

MR TURNBULL

Agreed MT

ANNOUNCEMENT OF SCRUTINY PROGRAMME 1989-90

1. I attach for the Prime Minister's approval a Parliamentary Question and Answer reporting on the 1989/90 programme of scrutinies. Its terms have been cleared by the Departments concerned. A new feature this year is that Sir Angus Fraser has requested that the announcement should indicate which scrutiny reports have been published. This would bring up to date the report made to Parliament in reply to the Question from Lord Nathan in December last year (copy attached).

2. The scrutiny programme last year was large and successful, yielding potential savings of over £250m and a wide range of proposals for increasing efficiency and effectiveness. Brief notes on the more important scrutinies are attached for the Prime Minister's information. These are not part of the announcement.

3. A copy of this note and the attachments go to Sir Robin Butler's office.

DMB.

DON BRERETON
25 May 1990

NOTES ON IMPORTANT SCRUTINIES 1989/90

1. Entry Processing Requirements (Customs and Excise)

This scrutiny, led by Derek Leach, examined the functions and operations of Entry Processing Units and Export Stations, which handle goods worth £106bn each year, and collect £18bn in duty and VAT. It identified substantial opportunities for improving efficiency and effectiveness presented by the introduction of a new management support system, which will provide increased computer capacity and a better information flow. The report makes wide-ranging recommendations for change in the run-up to the completion of the Single Market, and post-1993. Savings from efficiency measures are estimated to be well over £6m annually (over 10% of current costs).

2. Take up of Employment Department Programmes (DE)

In broad terms 55% of Employment Service referrals to training agents start assessment, and 32% start training. Only 30% of those who start training complete the one year programme. Jo Durning's scrutiny identifies organisational and structural changes designed to simplify and shorten the referrals procedures, improve the quality of assessment and focus attention on the application of best management practice. Implementation of the recommendations is expected to help significant numbers of people into programmes or back into work, who would otherwise have remained unemployed, with consequent benefit savings and tax flow back.

3. Education Support Grants and LEA Training Grants Scheme (DES)

This scrutiny, led by Brian Glickman, looked at grants made by the DES to LEAs to foster in-service training for teachers and to assist in specific programmes such as the introduction of the national curriculum. Annual expenditure on the grants is £336m. The team found that these grant programmes are seen by all parts of the education service as a positive force for improving the standard of education in England. They recommend retention of the grants programmes but with a more overt linkage with the introduction of the Education Reform Act. Recommendations are also made for improving the administration of the schemes, thus reducing the work involved both at the DES and in LEAs. Savings should amount to £2m per year. The team also recommend a reduction in monitoring of the various programmes, having found that much of the information collected is not used.

of course they did - many over years

4.Provision and Cost Effectiveness of External Consultancy (DH/DSS)

External consultancy costs in the Departments of Health and Social Security rose from less than £1m in 1979 to some £48m in 1988/89. Ken Harris's scrutiny examined all aspects of the use made by the Departments of external consultants and identified a number of shortcomings. These included poor identification and evaluation of consultancy requirements; over-reliance on single tender; a low level of compliance with control and monitoring procedures; and inappropriate divisions of project management responsibilities. The recommendations emphasise the need for rigorous justification of the use of external consultants and proposes the introduction of tighter controls and attention to best practice.

5. Charging for Central Services (DTI)

David Smith led a scrutiny of services provided centrally by DTI (such as personnel management, computing, training, economic and statistical advice) to users in headquarters and outstations. The report laid a very effective challenge to the present arrangements where only a few central services are charged to users according to use: many are treated as free goods. The report recommends that services should be more accurately costed, charges levied according to use, and that more services should be open to competition. Full implementation of the recommendations will change the organisation and management of DTI services in a dynamic way, with implications for most other Departments.

6. Government Funding of the Voluntary Sector (HO)

This scrutiny, led by Juliet Reisz with a team drawn from 8 Departments, looked at the way in which the Government funds voluntary bodies. The scope of the scrutiny was unusually broad, covering expenditure of over £2bn a year under more than 200 schemes which involve almost every Government Department. The report, which was published in April, has had a fairly favourable response from voluntary organisations. It recommends a more clearly targeted approach to funding the voluntary sector, and a greater emphasis on evaluation of results in relation to Departmental objectives. The recommendations are being taken forward, in the context of the Government's policy statement on the voluntary sector, by all grant-giving Departments, which are due to complete Action Plans by the end of June.

7. Married Quarters in the London Area (MOD)

Led by John Morrison, this scrutiny looked at the supply and demand for MOD owned married quarters in the London area and recommended that 337 surplus quarters could be disposed of, realising £35m. Another £14.5m could be raised by building new quarters on land generally within military establishments (and unable to be sold to the general public) and as result release for disposal high value quarters elsewhere. As a result of the scrutiny, the vacancy rate in the London area should fall from 14.6% to 8.5%. The findings from this scrutiny are relevant to the way the MOD handles its quarters elsewhere in the UK.

8. Cost-Competitiveness Initiative (PSA)

Patrick Leonard's scrutiny to reduce non-operating costs in the Property Services Agency arose from the decision to 'untie' all Departments from the PSA by 1990. The PSA must reduce its overheads dramatically if it is to bid successfully against its private-sector competition for business from that date. This was a radical scrutiny, yielding savings of around £75m per year as a result of major changes to the way in which PSA administers its business. The main recommendations include moves to allow greater flexibility in the use of support staff; streamlining of business procedures; introduction of commercial business controls; and much greater delegation of functions to line management.

Baroness Stedman: My Lords, we too should like to be associated with the words of the Government Chief Whip. I think that he covered almost everyone. I have a list as well which includes the cleaners. They look after our offices and leave them spick and span when we manage to make them untidy every day with our voluminous amounts of discarded papers. We are grateful to the staff and to all those who help to make life so pleasant for us here. They look after us and, as the noble Lord, Lord Graham, said, they look after our visitors as well. We wish all noble Lords and all members of staff a very happy Christmas and a good new year.

The Earl of Halsbury: My Lords, in the absence of my noble friend Lady Hylton-Foster, I rise on behalf of 244 of my noble friends to express 245-fold unanimity in thanking those who have served us so faithfully during the parliamentary term which is now coming to a close, and to wish them a merry Christmas and a happy new year. Perhaps I may assure them that the multiplicity of the services that they render the Cross-Benches, the second largest grouping in your Lordships' House, is reflected in the warmth of our thanks and our greetings.

Lord Denham: My Lords, I beg to move that this House do now adjourn.

Moved accordingly, and on Question, Motion agreed to.

House adjourned for the Christmas Recess at half-past two o'clock until Monday, 15th January next.

Written Answers

EFFICIENCY SCRUTINIES

Lord Nathan asked Her Majesty's Government:

What factors are taken into account when considering whether or not to publish a scrutiny report, and to specify which scrutiny reports have not been published since 1st January 1988, with the reasons in each case.

The Lord Privy Seal (Lord Belstead): I list below the efficiency scrutinies which have been announced in the period from 1st January 1988 to date, indicating where copies of the final report are now publicly available.

The titles of scrutinies carried out in each financial year, in association with the Prime Minister's efficiency adviser and the efficiency unit, are reported to Parliament at the end of the financial year. The Prime Minister's adviser encourages publication of scrutiny reports, particularly where there is public interest in a scrutiny. Decisions on the publication of reports are, however, a matter for the Ministers responsible for the scrutinies concerned. In a number of cases a final decision on publication has yet to be taken. Some unpublished reports concern internal departmental arrangements and are not considered to have any wider public interest. Other reasons not to publish include commercial confidentiality and the use of classified material in a report. If the noble Lord is concerned about any particular scrutiny report, he may like to contact the responsible Minister.

LIST OF SCRUTINIES ANNOUNCED AND COMPLETED IN THE PERIOD BEGINNING 1ST JANUARY 1988

Title of Scrutiny	*Department*	*Report Publicly Available*
Social Security Regional Organisation	DHSS	Yes
Fraud Investigation (with DE)	DSS/DE	No
Use of Consultancy Services	DSS/DH	No
Enforcement of Milk and Dairy Regulations	MAFF	Yes
Procedures in the Enforcement Office	IR	No
Scheme for the Sub-Contractors in the Construction Industry	IR	No
Internal Post	IR	No
Schedule D Procedures	IR	No
Arrangements for financing British Forces in Germany	MOD	No
Non-Nuclear Research Establishments as an Agency	MOD	No
MOD Support for Military Associated Functions at Schools and Universities	MOD	No
Defence Accommodation Stores	MOD	No
Married Quarters in London Area	MOD	No
FCO/DS Administration and Support Services	FCO	Yes
Financial Management in Budget Holding Departments	FCO	No
Administration of Aid-Tying Rules (with DTI)	ODA/DTI	No
Cash Releasing Cost Improvement Programme in the NHS in Wales	WO	No
Local Roads Capital Expenditure	DTp	Yes
Social Security Fraud	NIO	No
Central Government Statistics	CO	Yes
DTI Economic Statistics	DTI	Yes
Departmental Central Services	DTI	Yes
Administration of the Integrated Tariff	C & E	Yes
Running Cost Implications of Information Technology	C & E	Yes
Grants made under Section 11 of the Local Government Act 1986	HO	Yes
Magistrates' Courts	HO	Yes
Government Funding of the Voluntary Sector	HO	No
Inspection Rating System	HSE	No
Inward Visits	British Council	No
Prison Buildings	SO	No
Control of Administrative Expenditure in NDPBs	DOE	No
Cost Competitiveness Intiative	PSA	No
Land Registry	NIO	Yes

WESTERN ENVIRONMENTAL IMPROVEMENT ROUTE

Earl Russell asked Her Majesty's Government:

Whether they have abandoned plans for the Western Environmental Improvement Route.

Viscount Davidson: No. Following publication of the consultant's report on Stage 2 of the West London Assessment Study, comments have been invited by the Department of Transport on its published proposal for the Western Environmental Improvement Route (WEIR), with a link along

WRITTEN QUESTION TO THE PRIME MINISTER

QUESTION

To ask the Prime Minister what topics have been covered in the Efficiency Unit's central scrutiny programme in the last financial year, and how many of the scrutiny reports have been published.

DRAFT REPLY Twenty-three in previous year

Twenty-three efficiency scrutinies have been undertaken by Departments in 1989/90 in association with the Efficiency Adviser and the Efficiency Unit. The programme of scrutinies, including those which are not yet completed, is as follows:

Department	Title of scrutiny	Report publicly available
HM Customs and Excise	Entry Processing Arrangements (Import and Export Freight)	No
Department of Employment	Take-up of Employment Department Programmes	No
Department of Energy	UKAEA Programme Letters for Nuclear R & D and other nuclear work	No
Department of Education and Science	Education Support Grants and LEA Training Grants Scheme	Yes
Department of the Environment	Housing Management Training	No
Departments of Health and Social Security	Provision and Cost-effectiveness of External Consultancy	Yes
Department of Social Security	Departmental Debt	No
Department of Trade and Industry	Charging for Central Services	Yes
Department of Transport	Vehicle Excise Duty Enforcement	No
Foreign and Commonwealth Office	Financial Management at FCO Headquarters	No
Home Office	Government Funding of the Voluntary Sector	Yes
	Prison Medical Service	No
Intervention Board for Agricultural Produce	Middle Management Structure	No
Inland Revenue	Repayment Claims	No
	PAYE Payment Dates	No
Ministry of Agriculture, Fisheries and Food	EC Product Classifications for Export Refund Purposes	Yes
Ministry of Defence	Married Quarters in London Area	No
	NAAFI	No
	Fixed Wing Aircraft Maintenance	No
Overseas Development Administration	Aid Expenditure Management	No
Property Services Agency	Cost-Competitiveness Initiative	No
Scottish Office	Roads Directorate	No
Welsh Office	Education Grants (Welsh Office)	No

Decisions on the publication of scrutiny reports are taken by the Ministers responsible for the scrutinies concerned. In a number of cases, where a scrutiny has been recently completed or is not yet complete, no decision on publication has been made.

A number of other scrutinies have also been conducted according to full scrutiny disciplines and with guidance from the Efficiency Unit:

Metropolitan Police Scrutiny Programme

Thames Division

Other Police Forces

Communication
Training
Force Administration
Recruitment
Police Hostel Accommodation
Criminal Investigation Department
Community Relations
Prosecution Process
Accident Reporting Procedures
Force Inspectorate

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Department of the Environment		
	Housing Management Training	No
Departments of Health and Social Security		
	Provision and Cost-effectiveness of External Consultancy	Yes
Department of Social Security		
	Departmental Debt	No
Department of Trade and Industry		
	Charging for Central Services	Yes
Department of Transport		
	Vehicle Excise Duty Enforcement	No
Foreign and Commonwealth Office		
	Financial Management at FCO Headquarters	No
Home Office		
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Intervention Board for Agricultural Produce		
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Ministry of Agriculture, Fisheries and Food		
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	NAAFI	No
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Communication
Training
Force Administration
Recruitment
Police Hostel Accommodation
Criminal Investigation Department
Community Relations
Prosecution Process
Accident Reporting Procedures
Force Inspectorate

dti

the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

Rt Hon John Major MP
HM Treasury
Parliament Street
LONDON
SW1

Department of Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071-215 5623
Our ref PE4AVL
Your ref
Date 24 May 1990

Dear John

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

I was sorry that the meeting of E(CP) planned for 16 May had to be postponed, as I was concerned to consult you and other colleagues quickly on the future direction of the Deregulation Initiative.

As you know, it had long been planned that I would make a further report to the Prime Minister this month on the progress of the Deregulation Initiative; and it was also planned that, before I did so, you and I and other colleagues could have a discussion in E(CP) on the basis of a paper which would circulate to E(CP). Although E(CP) has had to be postponed, I am concerned not to lose the momentum of the Initiative, the more so as I believe that the Deregulation Unit's Business Case Studies, by clearly identifying business priorities in this field, have provided a mandate for giving a new impetus to the Initiative.

I am therefore circulating the enclosed paper to E(CP), which I hope can serve both as a report to the Prime Minister on the progress of the Initiative, and as a short summary of next steps with which colleagues can concur. If you and other colleagues agree, I suggest that the way forward which I have set out does not necessitate a discussion in E(CP). Instead, I invite you and other colleagues, together with the Prime Minister, to agree that officials should be instructed to proceed with a further programme of work, over a further eighteen month period; that the improved systems for counting the costs of regulation should be instituted; and that the Deregulation Unit, as presently constituted, should continue its work on the basis I have proposed with a minimum of delay. We can

Recycled Paper

dti

the department for Enterprise

then enhance the progress of an activity which, I am convinced, remains important for us at this time.

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

Yours ever

Nicholas

Recycled Paper

THE FUTURE DIRECTION OF THE DEREGULATION INITIATIVE

MEMORANDUM BY THE SECRETARY OF STATE FOR TRADE AND INDUSTRY

Introduction

1 This paper:

reviews progress so far on the Deregulation Initiative;

sets out next steps including stronger systems for compliance cost assessment;

reports on the cutback in the central Deregulation Unit in DTI; and

makes recommendations.

I invite E(CP) to endorse my proposals for the direction to be taken over a further eighteen month period.

Progress So Far

2 I am grateful for the progress reports which colleagues have made to me on deregulation work in their Departments. In my Deregulation Initiative Progress Report attached to this paper I have reviewed progress made by the Government since the White Paper "Releasing Enterprise" (Cm 512) of November 1988. We have achieved most of the targets to which we were publicly committed, contributing a useful improvement in the regulatory environment in which business must operate. However, I do not believe that Departments have yet moved far enough or fast enough towards scrutinising existing controls radically, or towards vetting new proposals with an eye to business's concerns. This is most apparent where Departments have undervalued the importance of earlier and fuller counting of the costs of regulation. Progress has been made. Much remains to be done.

3 This has been underlined by the Business Case Studies which the Deregulation Unit undertook at my request between Christmas and Easter. Forty five businesses were interviewed in different centres spread across the country. The Report on their experiences (which has already been circulated to departments) shows that administrative and legislative burdens imposed by central and local government remain substantial. Nearly 40 areas of concern were identified where business would like to see improvements. Some of their main areas of concern are highlighted in Annex 1.

Future Programme of Work

4 The Business Case Studies Report provides an important business-driven focus for the next stage of the Deregulation Initiative. The issues identified in the Report taken together with items in the Wider Reviews and departmental "Forward Looks" provide a substantial quarry for future work; and I would expect the Report to go far towards the Rolling Programme's objectives, by pointing to items of particular concern to business, for examination by Departments. No doubt some of these items will prove to offer better scope for action than others; not all are new and some are already being tackled (eg onshore energy licensing and steps to reduce compliance costs for businesses arising from taxation, VAT and social security requirements). But there are more than enough areas of concern expressed by business in the Case Studies to warrant a commitment to a renewed programme of deregulatory work. I therefore recommend that colleagues now instruct their officials to work with the central Deregulation Unit to distill out and establish a new and well targetted programme which fully reflects business's concerns.

5 In addition we should continue to promote good regulatory practice and deregulation in the EC by supporting the Commission's DGXXIII, by trying to find deregulation potential in any EC institutional change and by mobilizing opinion in other Member States to resist or amend burdensome proposals.

Counting Business Costs

6 Work aiming at particular targets must be supplemented by improving our assessment of compliance costs for business. Regulatory regimes - where these are really necessary - cannot be designed to achieve the most effective solutions unless these costs are known. As these costs pass to the consumer, they add to inflationary pressures and harm competitiveness; we should not leave them as an unreckoned consequential to decisions to legislate or regulate. Experience shows that likely business costs are still not being taken into account properly in proposals put forward for collective consideration. I accordingly invite colleagues to agree that, where proposals involve compliance costs:

(a) White Papers and other formal consultation papers should not be published without including an estimate of the likely costs to business of new regulatory proposals, to compare with the expected benefits of implementation on the one hand, and the risks of inaction on the other;

(b) Ministerial bids for the Legislative Programme should include the implications for business (not just for Government) under the heading "Financial Manpower and EC Aspects"

(c) The Notes accompanying published Bills should indicate not only the likely costs to Government but also to business (and so to the consumer), as is already done in explanatory memoranda for Parliament on EC legislation and other Community documents.

These steps should supplement the existing procedure that Ministerial papers proposing regulation or legislation should not be submitted for collective consideration without assessments of business compliance.

The Deregulation Unit

7 I am convinced that our commitment to deregulation requires a specialist unit in my department with counterparts in other departments. Without the focus which these units provide, I believe the impetus towards good regulatory practice or outright deregulation will fade. We need this focus all the more given the pressures on us, both from the EC and at home, to regulate in the environmental, health, safety, financial and business practice fields.

8 The central Deregulation Unit has been sharply slimmed down. Excluding the DTI DDU (2 posts) it stood at 28 posts in 1988. It now stands at 18 posts, and excluding support staff there is a core of only 11½ posts at the centre. I believe it still has a substantial and valuable job to do, namely:

(i) to work with business (eg by further sectoral studies) to identify regulatory burdens and alert Government to the need for action;

(ii) to work with departments to achieve a deregulatory outcome on particular issues (eg those of cross-departmental interest);

(iii) to audit and develop compliance cost assessments on the basis of the new guidelines and the better "early warning" arrangements proposed above;

(iv) to promote better regulatory practice in the EC (by drawing on cases and experience across departments); and

(v) to monitor and evaluate progress of deregulatory work across departments.

Recommendations

9 I invite colleagues:-

(1) to note progress so far (para 2 and 3)

(2) to instruct` officials to identify a new programme of work to extend over a further eighteen month period (paras 4 and 5).

(3) to endorse my other proposals (paras 6, 7 and 8).

N R

DEPARTMENT OF TRADE AND INDUSTRY

24 May 1990

BUSINESS CASE STUDIES REPORT:

SOME MAIN AREAS OF CONCERN EXPRESSED BY BUSINESS

- Taxation, VAT and Social Security: Alleviate the administrative burdens on business of the taxation, VAT and Social Security systems and improve service (Recommendations 1-6)

- Planning: Improve speed and consistency of decisions by local planning authorities affecting business (Recommendation 17)

- Local Authority Requirements on Business: Encourage local authorities to develop a multi-disciplinary integrated approach to regulation of business, with a pilot study on private health care/hotels/catering sector (Recommendations 18-20)

- Community Charge/Uniform Business Rate: Abate burden of the Community Charge/Uniform Business Rate for mixed business and residential premises (Recommendation 21)

- Environmental Protection Bill: Ensure systematic assessment of compliance costs (Recommendation 12)

- Public Sector Purchasing: Open up purchasing procedures to greater competitition from small firms (Recommendations 13-14)

- Exports: Streamline export licensing procedures and information requirements on the Single Administrative Document (SAD) (Recommendations 15-16)

- Financial Services: Press SIB to follow through amendments simplifying the Financial Services Act (Recommendation 30)

- Food Safety: Ensure compliance costs of new food safety regulations are properly assessed and match the scale of risks involved (Recommendation 34)

- Small Egg Producers: Reduce the impact of Egg Testing and FLock Testing and Registration on small egg producers (Recommendations 27-29)

- Licences: Eliminate or streamline licensing requirements, targeting eg 12 licences for scrutiny during 1990 (Recommendations 32 and 35)

DEREGULATION INITIATIVE PROGRESS REPORT

PROGRESS SINCE "RELEASING ENTERPRISE" (CM 512, NOV 1988)

1. In this note, I draw on colleagues' departmental reports and monitoring by the Enterprise and Deregulation Unit (EDU) to assess progress on commitments to deregulatory action made in the White Paper on "Releasing Enterprise" (Cm 512, November 1988) and since.

WHITE PAPER: NEW COMMITMENTS

2. "Releasing Enterprise" committed us to action under the three key areas of the deregulation initiative viz:

a. better domestic and EC regulation;

b. greater Civil Service awareness of business needs; and

c. better delivery of services to business.

Better domestic and EC regulation

3. We undertook to establish a rolling annual programme of reviews of existing regulation. We have two rounds behind us and some departments are now coming forward with suggestions for a third round.

4. For the first round, 15 regulatory departments proposed between them 22 reviews, which were announced in January 1989. All are now complete. About one-third of the reviews have resulted in deregulatory achievements eg: reduced dipping for sheep-scab (MAFF); fewer enquiries to business on social security (DSS); reduced record-keeping for VAT on second-hand goods (C&E); simpler payment and monitoring for smaller Regional Selective Assistance cases (DTI). The rest have delivered or promise business savings of at least £15m plus other worthwhile benefits and in some cases cost savings for departments. Some require follow-up work, with potential for further benefits.

5. By contrast, the second round shows a loss of momentum and commitment. Only 11 departments have participated and the number of reviews has dropped to 18. More important, in terms of substance, the programme looks thin and unlikely to produce significant benefits. One department acknowledged it was proposing to review an area not expected to be particularly fruitful. Another has withdrawn its proposal to review an area widely criticised by business and has put nothing in its place. It seems unlikely that these two rounds have exhausted all areas where business might wish for improvement.

6. We said we would produce Compliance Cost Assessments (CCAs) for every proposed regulation that could affect business and publish them; and that we would improve CCA procedures. We do not yet regard business's compliance costs (unlike public sector costs) as essential input to decisions and often we forego CCAs where business impact will ostensibly be insignificant or a net benefit (though, with no CCAs, such claims can only be speculative). Major legislation (eg the Food Safety Bill and the Environmental Protection Bill) is still proposed without systematic consideration of compliance costs. Where CCAs are produced, they often seem afterthoughts. Sometimes, they follow the introduction of the measures concerned. Most fail to quantify compliance costs. Departments show limited enthusiasm for publishing CCAs and discussing them with business.

7. In March, the Parliamentary Under-Secretary of State for Corporate Affairs proposed a new CCA proforma, guidance and procedures (prepared in consultation with officials from all interested departments). The focus is on numbers, to let us see the bottom line for business of proposals. There is practical advice on preparing a CCA. The procedural framework permits "tailoring" by departments whilst remaining consistent with our commitments in White Papers to a common format.

8. We said we would undertake wide consultation on proposals affecting business, pointing up the business implications and giving business time to respond; and issue guidance to officials on good consultation practice. We still sometimes fail to consult or we consult inadequately, occasionally with serious consequences. Two recent examples are: implementation of full cost recovery under the Veterinary Medicines Licensing Scheme, which added disproportionately to the cost of exports by small firms; and arrangements for attachment of earnings to recover Community Charge debts. EDU, in conjunction with departments, is preparing advice to officials on regulatory practice, including consultation with business.

9. On Europe, we said we would support the SME Task Force in pressing the need to minimise compliance costs of proposals; and try to get other Member States to share our deregulatory concerns. UK pressure has helped secure: upgrading of the SME Task Force into a Directorate General (XXIII) to implement a 1989 Council Resolution on Administrative Simplification; and adoption by the Commission of an improved business impact statement (CCA) for new legislative proposals. The benefits will feed through slowly and departments have continued to seek to resist or amend burdensome proposals. Majority voting limits what we can achieve on our own but EDU's bilaterals with business and government representatives in Madrid, Athens, Lisbon and Brussels in 1989 appear to have increased awareness of key deregulation issues there.

Greater Civil Service awareness of business needs

10. We said the Civil Service and business each need to understand better the other's culture and workings and that interchange is the main way to achieve this. In March 1989, the Bridge Programme was launched to boost secondments and job-exchanges in both directions. By August 1989, all departments were implementing action programmes to improve Government/ business understanding (on interchange, joint training arrangements, improvements to the Management Development Programme and participation in BIM's Management Charter Initiative etc). OMCS's "Annual Report on Interchange Between the Civil Service and Other Organisations" shows overall secondment activity increased by 24% in 1989, with almost 40% more civil servants joining businesses (**NOT YET PUBLISHED**).

Better delivery of services to business

11. We undertook to look at the scope for the "one-stop shop", where businesses could carry out basic transactions required by government and obtain information and assistance. A Government Business Shop was running in Scotland by August 1988 and 5 more in England and Wales by February 1989. The single entry point proved popular (particularly among potential starters and micro businesses) but the level of use compared unfavourably with that of specialised local offices. Consequently, in England and Wales the experiment has been discontinued on cost-effectiveness grounds.

12. We also pointed to the better service to business which our Next Steps policy would bring. The 30 Agencies now set up include several affecting business directly or indirectly. All have been set demanding performance targets (including quality of service) and results from early Agencies are promising.

13. We noted that departments' form units were improving the content and design of forms. In the 2 years to summer 1989, departments abolished 1443 forms sent to businesses (offsetting to some extent an overall increase between 1985 and 1987) and re-designed 3770. OMCS are now following up with departments their 1989 report to reduce further the burden of form-filling (eg by small business exemptions, more pre-printed information, uniform form sizes, more flexibility on degrees of accuracy and detail and more consultation).

14. We pointed to further work aimed at providing clear information for new and developing businesses. DSS issued revised guidance to employers on contributions in February 1989; DEm published their "Self-employment Starter Pack" in June; the Home Office published "Fire Safety at Work" in January; and DOE expect to put out their booklet on building regulations in July. EDU has prepared checklists of

regulatory requirements to help those advising small businesses.

WHITE PAPER: DEPARTMENTS' OTHER DEREGULATION ACTIVITY

15. Part 2: "The Way Ahead" of the White Paper noted that regulatory departments had proposed over 70 areas of their work for deregulation activity during 1989. The commitments ranged from fairly minor sector-specific issues (eg modest increases in axle weights of tri-axial vehicles (DTp)) to measures with a potential major impact across the board (eg changes in the operation of the VAT threshold (C&E)). The emphasis was on improving regulation and related procedure.

16. More than 80% of this work is now complete. In 21 instances, the results represent a major deregulation achievement eg: easing of restrictions on the employment of women and young people (DEm); extension of EC carnet (C&E); simplification of the financial services regime (DTI); more straightforward vehicle type approvals (DTP); manning/tonnage limits for licensed mines (DEn); new guidance on Statutory Sick Pay and Maternity Pay procedures (DSS). Work on some items will continue for some while eg changes in preparation for the Single Market.

DEPARTMENTS' OTHER INITIATIVES

17. We have introduced a number of measures which have had a significantly deregulatory impact but have not formed part of the deregulation programme as such. Prime examples are: abolition of the Dock Labour Scheme and closed shop agreements (DEm); abolition of close company apportionment (IR); simplified VAT returns (C&E); liberalisation of Scottish air traffic distribution rules. All allow business greater freedom to respond to the market.

18. In May 1989, following a scrutiny of DTI's collection of detailed product statistics (now the responsibility of the Central Statistical Office (CSO)), we announced changes to reduce the cost to business of providing information by eg cutting survey frequency, reducing sample sizes and simplifying forms. However, some have come to a halt in view of expected EC regulations relating to the Commission's Prodcom proposals. Further, Treasury have just announced a package of improvements to the macro-economic statistics which will inevitably impose additional burdens on business, even though the stated aim is to keep these to the minimum necessary to maintain the required accuracy.

CONCLUSIONS

19. Since November 1988, we have achieved most of the targets to which we were publicly committed. Granted some of these were not particularly demanding, we can probably all still

claim to have contributed in some measure to a useful improvement in the regulatory environment in which business has to operate. That said, I doubt that any of us could say we could not possibly have done more.

20. One limiting factor is legislative delay. Lack of space in the legislative programme is preventing implementation of a number of useful deregulatory proposals. Examples are: deregulation of London buses (DTp); simplification of the planning system (DoE); reform of restrictive trade practices law, simplification of consumer credit and trade marks law and some self-certification for weights & measures (DTI); ending guaranteed prices by some marketing boards (MAFF). Some small but useful "tidying-up" exercises (eg repeal of the Pedlars Act and the Nursing Agency Act) would seem to have little chance of finding a slot. Our legal advice is that an omnibus Deregulation Bill, to sweep up outstanding commitments, would be impractical.

21. The progress of deregulation so far has pointed to some lessons to be learnt for the way ahead. First, deregulation is time-consuming and difficult, particularly when the benefits may appear diffuse compared with the sharply pointed pressures to regulate. These pressures will always be present in an advanced society with forceful spokesmen to articulate them as part of the political process. While giving them attention, we need to ensure that Departments are equally attuned to the continuing requirements of business. The establishment of Departmental Deregulation Units has helped this process; but not all DDUs are yet fully developed instruments for ensuring that their Departments look radically at existing controls and new proposals with an eye to business's concerns. This is most apparent in the continuing tendency to undervalue the contribution to better regulation that can come from better counting of the costs.

22. This note shows where we are weakest. It would be easy, at this stage in the life of the Deregulation Initiative, to conclude that the Initiative could only yield diminishing returns, after strong initial gains. That would be a wrong conclusion. Gains remain to be made, provided that the Initiative is firmly targeted towards deregulatory requirements identified as priorities by business, with strengthened systems for assessing compliance costs. These are the keystones to the proposals set out in my main paper.

N R

Department of Trade and Industry

24 May 1990

Prime Minister

Yes – the recommendations of the case studies must be followed up vigorously.

No opportunity to discuss with the Chancellor. But E(CP) likely to support Mr Ridley on 'X' & 'Y'. Content to leave it to E(CP)? (Background note attached).

MR POTTER

18 May 1990

THE DEREGULATION INITIATIVE

The Prime Minister intends to discuss the deregulation initiative with Mr Major, ahead of the progress report which Mr Ridley will present to E(CP).

In my note of 11 May, I suggested that the Prime Minister would want to encourage the specific case studies which the Enterprise and Deregulation Unit of the DTI has started to do whilst emphasising that it is the job of individual departments to tackle the issues which emerge. Following up the case studies is going to be much more productive than initiating "wider reviews".

The other recommendation of the 11 May note was that E(CP) should give support to Mr Ridley's call for proper compliance cost assessments to support Ministerial proposals for new regulation. This is the key issue; the Government must measure the costs which it imposes on the wealth-creating sector.

CASE STUDIES

I have since then looked at the actual EDU case studies. Annex A takes three examples almost at random from the summary and Annex B is the overall finding.

What is being said is that the deregulation initiative has an enormous way to go before it achieves the objective which the Prime Minister and Lord Young originally had in mind.

There does have to be an efficient Whitehall system for assessing the costs of regulation, but the far greater need is to give back to the initiative a real political priority. Only then will departmental Ministers want to make sure that we cut red tape and think hard about what new regulation costs.

Howell Harris Hughes

HOWELL HARRIS HUGHES

by a current proposal in the field of purchasing which will impose competitive tendering on private concerns in the energy sector.

Recommendations

32. Department of Energy to examine on-shore petroleum licensing and consider:

(a) whether all 3 categories of licence are necessary;
(b) allowing bidding more frequently than every two years;
(c) permitting greater production under exploration licences.

33. Inland Revenue to review the impact of the definition of "petroliferous trade" on companies involved in oil exploration.

E. Hotels and Catering

61. Existing food handling regulations were considered to be extremely burdensome by the large national caterer we interviewed. Despite having specialist and highly trained staff (including 14 inspectors of their own) to deal with this, the regulations and their enforcement were a constant preoccupation. The firm felt that local authority EHOs deliberately targeted them to ensure maximum publicity for any infringements. Their preoccupation with not falling foul of local EHOs was such that they were now introducing equipment with specifications well in excess of statutory requirements Last year alone, as a result of challenging the idiosyncratic rulings of particular EHOs, the firm saved nearly £400,000.

62. The same firm expressed considerable worries about the forthcoming regulations under the Food Bill i.e. that the registration requirements would be over bureaucratic and inadequately policed; that the training requirements had not been thought through (so that there would be a proper distinction between mandatory induction requirements and optional developmental training); and that temperature control regimes looked like making no proper distinction between requirements appropriate to catering (immediate consumption) and requirements appropriate to retailing (longer holding periods). All this looked like increasing compliance costs and inhibiting entry.

63. The administration of drink licenses was also criticised by businesses in the hotel and catering sector. One hotelier with separate banqueting facilities in a non residential area felt that the licensing authority took no account of location since it insisted on separate applications each time for extended hours. The large catering business reported it had taken them over 3 years to secure licenses for table wines for their network of restaurants. They found the process so complicated that they waited until each outlet had become established before applying, since to try and synchronise openings with licenses risked delaying entire ventures. Each application had to be backed by 9 copies, magistrates had to

visit the restaurant and the manager had to attend court. If there was any change in manager the whole process had to be repeated. Costs had been some £300,000 for 60 licences. In the firm's view the controls were wholly disproportionate for restaurants offering a limited range of alcoholic drinks.

34. MAFF and DH to pay particular attention to minimising the cumulative compliance costs of new food safety regulations by ensuring that the problems to be addressed are correctly identified and the responses to them are in proportion to the problems.

35. Home Office and other Departments to consider abolishing, or reducing the scope for objecting to, licences controlling commercial activities which raise issues of public safety or nuisance, where power to control already exists in the planning system.

F. Filling Stations

64. The main regulatory burden reported by firms in this sector concerned the conditions Department of Transport attach to the granting of a licence to operate a Motorway Service Area (MSA). One trader had found that the conditions that DTp applied to an application for a MSA on the M11 were so exhaustive and burdensome (covering parking areas, rest facility layout, bridges, motorway crossovers, filling areas and toilets), that the land was more profitable when left for agricultural use.

Recommendation

36. DTp to consider relaxations to the conditions attached to the approval and commercial development of MSAs.

IV. PREVAILING BUSINESS CONDITIONS

65. Interest Rates and Finance. Over one third of the businesses cited the present high level of interest rates and difficulties with sources of finance as a business problem. This was spread well across the sectors. One firm (management consultants) had experienced great difficulty in securing some £100,000 for business expansion. They felt there was a critical funding gap for smaller but established businesses which the banks and government measures (such as the BES and the loan guarantee scheme) failed to fill. Banks sought a level of personal investment and guarantees from entrepreneurs which they found prohibitive, while the loan guarantee scheme required an entrepreneur to have virtually nothing in order to qualify. The BES was hampered by rules limiting investors to non-involvement in the company, and venture capitalists were not interested in anything less than £250,000.

3. Inland Revenue to consider, in conjunction with its Deregulation Review of the P11D form and procedures, the scope for raising the P11D threshold, or for excluding certain categories of expenses or benefits.

4. Inland Revenue to consider abolishing form CT1(Z) in advance of the new Pay and File system.

B. Social Security

21. There were nearly as many complaints about social security as there were about VAT. These complaints were generally of the "bureaucracy being out of all proportion to the benefits" variety.

22. For example, several firms said they found Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP) procedures so complicated that they effectively opted out and operated private arrangements for their employees. Two firms had experienced problems with DSS housing benefit. In one case this had been withdrawn from two unemployed chefs who went on to the Enterprise Allowance Scheme to start a bakery business. The loss of benefit was very critical to them when trying to cope with their new business. It took months to get it reinstated and they are still battling for backdating (see figure 2).

23. A further source of difficulty lies in the distinct requirements of the PAYE and NIC systems. The need to maintain the contributory principle for social security benefits precludes a fundamental integration of tax and social security records and calculations which would bring major compliance savings to employers. Without this, further changes to the existing social security system could increase employers' compliance costs. The scope for further administrative integration is already under consideration by Revenue and DSS.

Recommendations

5. Revenue and DSS to identify the scope for changes, or for improved guidance, which will make it easier for employers to comply with the existing PAYE and NIC systems.

6. DSS to maintain its efforts to streamline and clarify information for employers about SSP/SMP, and to ensure that these and the availability of free hotline advice are as widely publicised as possible.

C. Health and Safety

24. About one third of businesses reported difficulties in the health and safety field, mainly relating to enforcement and inspection. The Health & Safety Commission are likely to announce soon in their next Plan of Work further measures for

I. CENTRAL GOVERNMENT REGULATION

A. VAT and Other Taxation

15. VAT and other taxation systems were by far the biggest government bugbears reported by business - one third and one half of the firms respectively. High volumes of paperwork, complicated forms and guidance and the time needed to cope with returns were all sources of complaint.

16. For example, one engineering business (with only 7 employees) put the time needed to cope with VAT, PAYE and accounts at 10 hours per week for a part-time director. Another firm (with 20 employees) said VAT and PAYE required one day a month of a director's time and two days a month for the office manager, plus much more for year-end form filling. Many other businesses left almost all taxation work to be dealt with by accountants.

17. There were also plenty of complaints about poor service from local tax and VAT offices. Inaccessibility through restricted office hours, poor telephone service, refusal to provide named contacts and delays in getting things done were all sources of frustration and irritation.

18. For example, one firm had experienced a 9 month delay in getting a tax coding changed for someone who had been previously self-employed. Another had cheques mislaid by the Inland Revenue five times through inadequate links between Inspectors and Collectors and a lot of consequent hassle from the Revenue. In another case a business had been passed to eight different offices before being able to ascertain which one was handling its papers.

19. Other direct taxation criticisms concerned the P11D threshold, the Inland Revenue/DSS starter pack and the Inland Revenue form CT1(Z), which one firm said it always put in the waste paper basket because all the information requested was in its accounts and supporting tax computation.

20. Several businesses felt that VAT rules on late payment were over rigid - e.g. a £460 fine for a payment which was allegedly only two days late. There was also some evidence of a diminution in educational visits by VAT officers with one firm, for example, ending up with a default situation despite early approaches to the local VAT office.

Recommendations

1. Treasury, Inland Revenue and Customs to identify scope for further improvements in service at local offices and by visiting officials.

2. EDU, Inland Revenue and Customs, as part of a Wider Review of taxation compliance costs, to identify further means of alleviating compliance costs and reducing paperwork and time spent on taxation requirements, especially for small firms (eg the introduction of differential tax payment periods).

ANNEX B

BUSINESS CASE STUDIES REPORT

EXECUTIVE SUMMARY

OBJECTIVE

1. At the Secretary of State's request, EDU has undertaken a series of short sharp case studies to examine the experience of a small sample of businesses in contending with the multitude of regulatory requirements which have to be met when setting up or developing an enterprise, and to identify ways of reducing their impact.

COVERAGE

2. Businesses in nine sectors were studied: General Building; Financial and Professional Services; Clothing and Textiles; Egg Production; Hotels and Catering; Engineering; Health Care (Residential and Nursing Homes); Onshore Petroleum; and Filling Stations. Three-quarters of those interviewed had less than 25 employees and two-thirds had been trading for less than five years. Few had specialised accountancy, legal or administrative staff in-house.

OVERALL FINDINGS

3. These businesses identified a wide range of problem areas (Annex A). A large number of these involved onerous central and local government systems including: the administration of VAT and other taxes; local authority planning; health and safety measures; and difficulties of access and delays - not being able to find out precisely what was required and unhelpful attitudes on the part of officials.

4. Sectoral problems tend to be cumulative: a complex combination of problems involving requirements bearing on particular types of business (such as specific registration, inspection and testing regimes), compounded by more general regulatory burdens, the effect being to absorb valuable management time better spent on developing products and markets and contending with the prevailing business climate of high interest charges, labour shortages etc. The case studies illustrate how some firms manage to cope with such cumulative pressures, while others are in danger of going under. Some are driven to extreme responses, such as bypassing complicated requirements (such as statutory sick pay), or operating partly in the black economy.

5. It is reasonable to suppose that the experience of these firms represents the tip of an iceberg since our findings are broadly in line with the replies from members of Chambers of Commerce to whom the Chairman of the Advisory Panel on Deregulation has recently written. It is not therefore surprising that many entrepreneurs either do not survive beyond the initial years or choose unambitious routes for their

businesses. The findings also suggest that problems are not confined to the start-up phase but continue into the development stage and add to the strain when more depth of management is required after the initial investment of energy and ideas has been exhausted.

6. All this suggests that, despite progress made under the Deregulation Initiative, much remains to be done aross a wide range of issues to reduce the cumulative burdens on start-ups and smaller businesses. Particularly where major new regulatory proposals are in preparation close attention must be paid to the cumulative effects on such businesses. Positive and practical measures are needed to help business and enterprise cope with what is seen as a rising regulatory tide.

7. It is clear from the case studies that if we are to tackle deregulation from the practical point of view of people starting up and building a business we need to be more responsive to their continuing complaints about officialdom - about the actual exercise of regulatory powers; about the deficiencies in the "service" provided by the regulators (excessive delays, inconsistent judgements, inadequate guidance etc) - as well as about the continued utility and cost effectiveness of certain regulatory policies themselves.

8. Where the public interest calls for regulatory regimes businesses will generally acknowledge the need but become critical of the means as either disproportionate to the problem to be tackled or inadequately focussed or resourced to secure effective compliance by those most likely to cause offence; regulatory systems are most vulnerable to attack when they are not seen as hitting the mark although causing compliant businesses considerable expenditure of time and money.

RECOMMENDATIONS

9. The full Report includes 39 Recommendations (summarised at Table 5) covering those areas where we and the Chairman of the Advisory Panel think more work should be done to identify how best to ease the cumulative burdens.

10. Implementation will generally fall to individual departments. Where cross-departmental issues are involved EDU would expect to be involved in a wider review process. The primary areas of concern demanding renewed attention include:-

(1) existing compliance costs in the tax field;

(2) local authority procedures and practices;

(3) the need to avoid disproportionate burdens arising from the introduction of new regulatory regimes without adequate prior assessment of the likely compliance and enforcement costs.

EDU
March 1990

LIST OF PROBLEM AREAS ANNEX A

I. Central Government regulation

Tax general, VAT, PAYE, P11D
Social Security, SSP/SMP
Employment law, Disabled employees forms, YTS
Health & safety general, COSHH, Dangerous Substances Labelling
Data protection
Green Bill, Pollution Inspectorate
Government statistics
Carnets/export procedures, Export licensing, Single Administrative Document,
Import procedures
Public purchasing
MAFF Oil Dispersal Dispensation
Consumer Safety
Entertainment Licences
Attachment of Earnings Orders
Inefficiency of civil service

II. Local authority regulatory role

Planning general, delays
Political bias in planning authorities
Fire Regulations
Building control
Environmental health
Rates/Community Charge
UBR
Refuse disposal

III. Sector specific regulation

Tax - Energy aspects
DEn licensing
VAT (Health Care)
Income Support
DH Registration & Inspection
Consumer Credit Act
Financial Services Act
Egg testing
EC Regulation
Drink licensing
Motorway service area licensing
Pharmaceutical licensing
Oil & Solvent rebates
Sunday Trading Laws
Radio Licensing
Food law

IV. General business conditions

Premises
Labour supply/training
Finance/interest rates
Government grants/help, complexity of grants, RSA threshold
Late payment/bad debt
Self-administered pensions

R 18/5

TUS

ECGD WHITLEY COUNCIL
DEPARTMENTAL TRADES UNION SIDE

PO BOX NO 272 EXPORT HOUSE
50 LUDGATE HILL LONDON EC4M 7AY

TELEPHONE 071-382 7105

N/T CF?

→ 1. Mr Potter
2 CF.

NOT GR's til ...

17 May 1990

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

Dear Mr Ridley

MACHINERY OF GOVERNMENT REVIEW OF ECGD PROJECT GROUPS

You may recall that I wrote to you on 3 October 1989 outlining our members' opposition to any proposal to change the ECGD Project Groups into a "Next Step" style Agency, following on from the Kemp Review of Status Options for ECGD.

We are aware that a decision will shortly be made on the Machinery of Government Review of the Project Groups, and would like to reiterate our opposition to Agency Status for the Groups. Our views on this are set out, in brief, in the attached paper.

Again, I trust that our views will be taken fully into account when consideration is given to the recommendations of the Machinery of Government Review.

I am copying this letter and the attached paper to Sir Robin Butler, the Prime Minister and Malcolm Stephens here.

Yours sincerely

Wendy Mitchell

pp P W CRABB
TUS Chair

15MAY1.SF

MACHINERY OF GOVERNMENT REVIEW OF ECGD PROJECT GROUPS

Introduction

1 The Kemp Review and developments since its publication have made it clear that there is general support from the UK exporting community for the ECGD Project Groups in their current form and no pressure for a change of status from the Groups' customers. In particular no-one who submitted evidence to the recent Trade and Industry Select Committee enquiry into the future of ECGD supported a change in status for the Project Groups.

Management Flexibility

2 In an Agency context, it has been argued that the more autonomous the unit, the greater independence for management in areas of accountability, planning and finance. As Mr Kemp pointed out, though, in his Review, ECGD already has a lot of the hallmarks of an Agency, with a Chief Executive (appointed from the private sector), a system of performance measurement, trading accounts and corporate planning.

3 Within its present framework, management has had the ability to improve considerably its services to exporters, most notably through the recent achievement of an 80% "hit rate" under the IS Group's CLASS project, to an extent private sector insurers have been unable to match. In the Project Groups a major injection of IT systems is currently underway and it is expected that this will also bring about a significant improvement in customer service. It is therefore difficult to see how a change of the Project Groups' status to an Agency could lead to more commercially-orientated planning and greater flexibility, as restrictions to these aims do not exist at present.

4 An area in which we recognise improvements need to be made, however, is the training of current staff to equip them with the particular skills required for the job. Appropriate 'on the job' and specialised training should, in our view, always be the central plank of improving customer service and members' job satisfaction. Top level backing is required in order to achieve this and more resources need to be devoted to the task but we cannot see that a change of status for the PG's would have an impact in this respect. The recruitment of "skilled" staff into ECGD from outside the Civil Service (which would probably become more prevalent if the PG's changed to an Agency) has not, in our opinion, been successful, even up to Grade 3 level, and this ignores the effect on promotions and, thus, morale in the Department. Appointments from outside have not obviated the need for more and better training from inside to provide both the skills and the experience needed.

5 There is also no evidence that a change to Agency status would result in a clearer remit for Departmental Management. ECGD has strategic planning and annual Business Plans which are operated by performance measurements and a long term financial objective agreed by Ministers. The Project Groups' existing losses are, as the ECGD Chief Executive has argued to the PAC, expected to be recovered and an appropriate rate of interest is paid in respect of ECGD's borrowings from the Consolidated Fund. Would this situation alter if a change to Agency status took place? Would the new Agency not be given the same break-even objective?

6 Furthermore, there is no proof that efficiency is hampered by central controls on pay, staffing and accounting practices. As we have argued above, morale and, therefore, efficiency are likely to be lowered by the limited career prospects brought about by a move away from Government Department status and by any direct recruitment of staff at HEO level and above.

Mr Kemp's Conclusions

7 In his Review (on pages 116-117), Mr Kemp said, in respect of a possible change of the Project Groups' status to that of a "Next Steps" Accountable Unit, that "An agency inside Government would be a retrograde step and subject to the same objections (ie significant reduction in quality of advice to Ministers; poorer management on the technical side; increased bureaucracy; etc) if it involved reducing the independence of ECGD and making it subject to a measure of direct policy control from one of the larger departments. Agency status as an independent department, on the model of HMSO, would require a level of financial autonomy and managerial responsibility for trading performance that would be inappropriate for business in the Project area. For these reasons, the status of a fully accountable unit in the terms of Next Steps does not appear suitable". We endorse these views as we do the following "cons" pointed out by Mr Kemp when weighing up the merits of a change to Agency status on pages 71-72 of his Review:

i Greater flexibility and delegation do not follow automatically from constitutional form.

ii Delegation of financial responsibility and limitation of Ministerial involvement are inappropriate objectives in this field, (where Ministerial interest can be involved, as Mr Kemp pointed out).

iii Difficult to construct a framework agreement that would relate accountability and pay to measured performance for the bulk of business in an acceptable way. (ECGD's current statutory objective is simply "to encourage UK trade" which is difficult to measure with any accuracy.)

8 Most crucially, Mr Kemp also pointed out that in an Agency set-up, less Ministerial input would be expected but that, given the nature of ECGD's business and the fact that exporters would not wish to lose their right of access to and accountability from the Ministers who represent them, this would not be satisfactory. We cannot accept that it would be sensible for Ministers to put themselves at a distance from the main source of project support for major UK exporting companies. There is also, of course, the impact on the UK exporting effort which the process of change to an Agency would create.

9 The view has been expressed that whereas a framework agreement along the lines of that proposed for HMSO may not be totally suitable for the Project Groups, some elements of such an agreement, notably the clarification of accountability and responsibility between ECGD's Chief Executive and Ministers, are appropriate. This view has, we think, been used to justify the idea of agency status for the Project Group, although, as Mr Kemp pointed out in his Review, a formal remit to management, "a written constitution" for ECGD, would equally be possible if ECGD remained an individual Civil Service department. On the question of Ministerial involvement in the Project Groups' day to day

affairs, if this were to remain substantial, then it would seem that agency status is inappropriate. The only way to reduce Ministerial involvement would be to split the policy and technical aims of the Project Groups but as Mr Kemp indicated on pages 114-116 of his Review, there would be no advantage in this and indeed he saw substantial disadvantages. We concur with this view.

10 If the Project Groups are to continue operations broadly as they do at present, which is what industry and most other interested parties want, full financial backing for their operations would continue to be required from the Treasury. Any change of status for the Project Groups would weaken the links between them and the Treasury and would seem to call into question both the Treasury's full involvement in the decisions on export support provided by the Project Groups, and its comprehensive backing for their financial guarantees to exporters and banks.

Costs

11 The Treasury would, we assume, expect that the costs which would be incurred as a result of a change of status should be off-set, if not exceeded, by means of efficiency savings, leading to more staff cuts, less job security, fewer promotions and a further drop in morale, and, no doubt, less effective support for UK exports.

Pay and Promotions

12 One of the major arguments advanced for setting up Agencies has been that management would be able to introduce a more flexible system of pay, not aligned to National Civil Service Agreements. This would enable, it is said, managers to "reward" those who were felt to be deserving by means of a system of performance bonuses and merit pay.

13 However, Local Pay Additions are already available within the Civil Service and a formal merit pay system will be fully instituted into Civil Service pay arrangements with effect from April 1990. This counters any argument that a different pay structure could not be entertained under Civil Service "constraints". The Long Term Pay Agreement reached between the Treasury and the main Civil Service unions has also altered the Civil Service pay situation, arguably in the Treasury's favour.

14 Changing the grading structure within an Agency in order to improve promotion prospects would serve only to give advantage to a selected few. For example, a structure with fewer levels, as originally proposed for HMSO, would mean fewer promotions in total.

15 Career prospects for staff in a unit which is divorced from the central Civil Service would also be adversely affected in that transfers to other Government Departments (including those made on promotion) would be more difficult than at present.

Conditions of Service

16 A change to Agency status would also lead to a move of the new Agency's staff away from the nationally agreed conditions of service currently enjoyed by PG staff. National Civil Service Agreements were reached in order to meet staff

and management requirements, and any departures from these are unlikely to be in the interests of staff.

Conclusion

17 As argued above, the TUS do not see any advantages - for staff, management or exporters - in changing the PG's into an Agency. If you decide otherwise, then proof of the benefits - for staff, management and exporters - must be provided.

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

17 May 1990

IMPROVING UNDERSTANDING BETWEEN GOVERNMENT AND BUSINESS

The Prime Minister has seen your Minister's minute of 14 May and the report attached to it. She welcomed the generally satisfactory position which it reveals.

I am copying this letter to Sir Robin Butler.

(ANDREW TURNBULL)

Martin Le Jeune, Esq.,
Office of Arts and Libraries.

cc

Prime Minister ④ CF

FROM: E P KEMP
DATE: 16 May 1990

MR TURNBULL

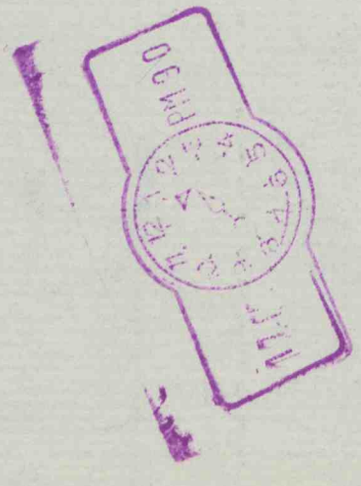
Grap

NEXT STEPS: MANAGEMENT MATTERS

Your note of 24 April to Mr Vaughan here indicated that the Prime Minister was content to sign an editorial for Management Matters. You also indicated that she was content with the text.

2. The special Next Steps edition of Management Matters is now back from the printers. 40,000 copies are being distributed to people in Departments and Agencies, in business, in the academic world and in the press. The Prime Minister may like to glance at this edition which concentrates on some of the successes of Next Steps, including the payment of the group incentive bonus scheme at the Vehicle Inspectorate.

E P KEMP



Prime Minister ③
To note a generally satisfactory position, though inward secondments have not done as well as outward. A growing proportion of the latter are with smaller companies. With the efforts to bring business networks into the Agencies these secondments assume even greater importance

MINISTER OF STATE, PRIVY COUNCIL OFFICE

PRIME MINISTER 14 May 1990

Improving understanding between Government and Business

When I reported progress on the Government and Business initiative on 1 August 1989, I suggested that the Cabinet Office (OMCS) Annual Report on 'Interchange between the Civil Service and Other Organisations in 1989' would be an appropriate means by which further progress could be monitored and you and colleagues ... be kept informed. The report in enclosed. It shows that longer-term secondments with business organisations increased by 24%, Whitehall and Industry Scheme attachments by 52%, and civil servant non-executive directorships by 21%. Longer-term secondments with non-business organisations increased by 6%. In all, over 2300 secondments and attachments were in operation during the year.

Business Secondments and Attachments

The rise in longer-term secondments between the Civil Service and business organisations - from 505 to 627 - is due almost wholly to the increase in outward secondments and shows how positively departments have responded to the Bridge Programme which David Young and I launched in March 1989. The inward secondments figure rose by only one. My progress report referred to difficulties which departments were experiencing in attracting inward secondments, and the figure underlines the importance of continuing our efforts to persuade outside organisations of the value of seconding their good people into Government. There were over 550 short-term secondments and attachments between the Civil Service and business organisations.

from 311 to 432

from 194 to 195.

Attachments under the Whitehall and Industry Scheme, the joint venture between the Cabinet Office and industrialists to provide high fliers in Grades 3 to 5 with short and intensive exposure to business organisations, increased from 25 to 38; and the number of non-executive directorships held by civil servants increased from 57 in 1988 to 69.

Non-Business Secondments and Attachments

Longer-term secondments with non-business organisations increased by 6% to 530. There were over 500 short-term secondments and attachments.

MINISTER OF STATE, PRIVY COUNCIL OFFICE

14 May 1990

Other Activities

The Cabinet Office's annual reports on interchange record the secondment and attachment activities of departments. Our report does not therefore mention departments' other activities which contribute to the Government and Business initiative. Examples are the Management Development Programmes which provide a framework for training and development, including the opportunity to go on secondment; the Management Charter Initiative, a business-led initiative which seeks to improve the standard of British management throughout all areas of the economy; and the Top Management Programme which brings together equal numbers of high fliers from the private and public sectors. The Civil Service College has introduced Government and Business courses to develop civil servants' appreciation of the environment in which business operates; and the Civil Service Commissions's annual report for 1989 shows that through a successful direct-entry grade competition, and through competitions for senior posts - particularly Agency Chief Executives - the Commission is recruiting increasing numbers of people with useful outside experience.

which Paul Gray is attending

Next Steps

Next Steps puts a new emphasis on improving management in the Civil Service and making it operate on more business-like lines. It is also concerned with making government services more responsive to the needs of customers in business and more widely. Agencies seek to combine the best of public and private sector practice and to draw on private sector expertise to help them meet their business objectives through secondments, the use of open competition for recruiting Agency Chief Executives and other key staff, the appointment of non-executive directors on Agency Advisory and Management Boards and through other means. With 30 Agencies covering more than 65,000 staff already set up and the expectation that by the end of 1991 Next Steps will have been applied to at least half the Civil Service, this will be an important area to focus on in developing contacts between Government and Business in the coming year and beyond.

Announcement of the 1989 Report

I usually announce my department's annual report by means of a Parliamentary Answer and I will arrange for this to be done.

I am sending a copy of this minute, and of the report, to members of the Cabinet and to Sir Robin Butler.

Rich Luce

RICHARD LUCE

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS

1989 REPORT

INTRODUCTION

1. For some years it has been customary for annual reports to be produced showing the extent of secondments between the Civil Service and other organisations. The advantages of interchange have long been recognised and successive administrations since the mid-1960's have encouraged it. The first formal scheme took shape in 1968 following the Fulton Report. In December 1977, it was decided to intensify the overall interchange effort and, in particular, to achieve a sharp and substantial increase in the number of civil servants seconded to industry. In March 1989 the government launched the Bridge Programme to give a major boost to secondments and job exchanges between civil servants and business people.

2. This report for 1989 shows that the number of longer-term secondments into or from business organisations rose by 24% to 627; and there were over 550 short-term secondments or attachments with such organisations. Attachments under the Whitehall and Industry Scheme, and non-executive directorships, increased by 52% and 21% respectively. Longer-term secondments with non-business organisations went up by 6%, and there were over 500 short-term secondments with such organisations.

PURPOSE AND BENEFITS OF INTERCHANGE

3. Secondments promote understanding between different types of organisation; promote the personal development of secondees; are a means of exchanging management and technical expertise; and introduce skilled or experienced staff on a short-term or pump-priming basis.

4. Interchange is one way of ensuring that the Civil Service is outward-looking, and that it understands the needs and problems of those with whom it deals - whether these be private sector firms, other parts of the public sector, or community-based organisations - and helps it benefit from the expertise of others. The movement of skilled people into or out of the Civil Service on a temporary basis means that civil servants are able to gain experience of work in an outside organisation while bringing their skills and knowledge with them; and people seconded into the Civil Service learn how governments departments work.

5. The interface between Whitehall and business is a particularly important and sensitive one, which is why successive governments have been especially keen to encourage the secondment of staff between the Civil Service and industrial and commercial organisations. A suitably experienced and qualified secondee can offer the host organisation a fresh insight into the running of its own affairs which will help it become more effective in its dealings across the Civil Service/business interface. The interchange of staff between the Civil Service and business organisations brings about better mutual understanding; and it increases knowledge about how government departments and companies are organised, how decisions are reached, and the problems that are faced by either side.

6. The interchange arrangements are not bound by rigid rules governing the length of secondment, or the age or grade of the staff involved. The arrangements are aimed at staff with potential at any level from junior management upwards and within an age range of about 30 to 45. A significant proportion of those seconded from the Civil Service in the past have been at about grade 7 level, and have included a wide range of specialists. One of the objectives of the Bridge Programme is to extend secondment opportunities to a wider range of staff than before. The duration of secondments has usually been from a few months to two years or more, but shorter or longer periods are arranged in appropriate cases.

7. Secondments are not made which would lead to a conflict of interest - for example where a civil servant may have been responsible for contractual or regulatory matters in respect of a particular company. Civil servants who acquire commercial or other sensitive information while on secondment must treat it as confidential to them. They are also bound not to disclose while on secondment information obtained in confidence while they were in Government. Similarly secondees into government are subject in general terms to the same civil service rules on conduct, discipline and security.

NEXT STEPS

8. The Government's Next Steps Initiative seeks to improve management in Government and to make government services more efficient and responsive to the needs of customers, a good number of whom are in the business community. This is being achieved by setting up agencies to perform the executive functions of Government. Agencies are headed by a chief executive who, within an agreed Framework, is responsible for day-to-day management. They are set demanding performance targets, both for the efficiency of their operations and for the quality of service to their customers. Thirty agencies covering more than 65,000 staff have already been set up and it is expected that by the end of 1991 Next Steps will have been applied to at least half the Civil Service. Next Steps seeks to combine the best of public sector and private sector practice, and the establishment of agencies will open many opportunities for interchange between the Civil Service and business. Agencies have their own particular needs for outside expertise to help them to meet their business objectives and will be able to meet these in a number of ways including the interchange of staff, the use of open competition for recruiting agency chief executives and other key staff, the appointment of non-executive directors on agency advisory and management boards.

REVIEW OF 1989

The Bridge Programme

9. The Bridge Programme was launched on 1 March 1989. The White Paper "Releasing Enterprise", published in the previous autumn, said that understanding how business works must become an integral part of the Civil Service culture, and that business similarly needed a better understanding of the workings of government. The programme involved the drawing up of action plans by all major government departments to give a major boost to secondments and job exchanges between civil servants and business people.

10. The increase in activity which the Bridge Programme generated in its first ten months (ie from March to December 1989) was substantial. Paragraphs 11 to 23 of this report summarise the various activities and show the extent to which the overall volume of secondments, exchanges and attachments exceeded that in the previous year.

Longer-term secondments between the Civil Service and Business (ie industrial or commercial) organisations

11. The number of longer-term secondments (ie of three months or more) into or from business organisations in 1989 rose to 627, an increase of 24% over the previous year's figure. Columns 1-4 of Annex A analyse the secondments by department, showing outward and inward secondments separately. The outside organisations involved are shown in Annex B.

12. Besides representing a significant increase compared with 1988, the 1989 figure was more than five times greater than that in 1977. The detailed breakdown between inward and outward secondments on a year-by-year basis is as follows:

Year	Secondments out of Civil Service	Secondments into Civil Service	TOTAL
1977	63	60	123
1978	127	74	201
1979	131	82	213
1980	143	67	210
1981	140	64	204
1982	152	92	244
1983	189	104	293
1984	186	116	302
1985	229	157	386
1986	280	189	469
1987	278	195	473
1988	311	194	505
1989	432	195	627

13. The table shows that outward secondments last year increased by nearly 40% compared with 1988. This is a very satisfactory rise in activity and reflects the considerably greater efforts which government departments made during the year in response to the Bridge Programme. Unfortunately, inward secondments increased by only one. The Government hope that there will be a greater recognition by outside organisations of the benefits of seconding staff - to the lending and host organisations and to the staff themselves - and that the number of inward secondments can in future years be brought more into balance with outward secondments.

14. Taking inward and outward secondments together, the number of outside organisations involved grew by 22% to 262.

15. Two of the objectives of the Bridge Programme were to involve more small companies in interchange and to bring about a wider geographical spread of secondments. It is pleasing to

report that some 40% of the companies participating in secondments in 1989 had fewer than 500 employees. Annex C analyses outward secondments by region. It shows that there was a more even spread of secondments throughout the UK last year than in 1988: significant proportional decreases in the South East and East Anglia being balanced by proportional increases in all other regions - except Scotland where the proportion remained similar to the previous year's.

Short-term secondments between the Civil Service and Business Organisations

16. During the year over 550 short-term secondments or attachments (ie of fewer than three months) were recorded between the Civil Service and industrial or commercial organisations.

Whitehall and Industry Scheme

17. This scheme was introduced in 1984, as a joint venture between industrialists and the Cabinet Office, to enable high-quality civil servants at Grade 5 level to spend short periods on attachment to companies in the private sector. The period of attachment has usually been ten to fifteen days, taken singly or in blocks at the convenience of the company and the individual concerned. A specific programme is arranged to reflect the needs and interests of the candidate. The scheme provides civil servants with the opportunity to gain first-hand experience of the private sector whilst continuing in their jobs in the Civil Service.

18. In response to the Bridge Programme, the scheme has been expanded to include selected staff at Grade 3 level and to increase the number of places available to Grade 5 staff. To accommodate this increased demand for attachments the administration of the scheme has been strengthened and new member companies recruited. Company membership now stands at 43.

22. In 1989 there were 530 such secondments, an increase of 6%. Many of these were with organisations with which departments have functional links, eg the Department of the Environment and local authorities, the Department of Health and regional health authorities. Secondments are also arranged with universities and colleges, overseas governments, the institutions of the European Communities and numerous other bodies. Columns 1 and 5-7 of Annex A analyse these secondments by department, showing outward and inward secondments separately. The figures in the Annex do not include loans of staff to non-departmental public bodies listed in the Cabinet Office (OMCS) publication 'Public bodies 1989' or to other government departments.

Short-term secondments between the Civil Service and non-Business organisations

23. Over 500 short-term secondments and attachments were recorded with non-business organisations in 1989.

THE FUTURE

24. Last year saw considerable progress across the whole range of secondment and attachment activities. These play a crucial role in helping the Civil Service and those with whom it deals to understand each other. The need for greater understanding, for knowing how different organisations are structured, how they reach decisions and the problems they face, is becoming ever more important - something which is underlined by the profound developments taking place in Civil Service management spearheaded by the Next Steps initiative. Interchange is a partnership -

Attachments are now for at least three weeks overall and are followed by a feedback seminar to evaluate their success. Some 38 attachments were arranged during the last year.

Non-executive directorships

19. For some years civil servants, generally at Grade 5 level or above (usually at Grade 3), have been encouraged to take up positions as non-executive directors with companies in the private sector. Appointments can take the form of membership of the main board or of a subsidiary board or a less clearly defined position where the appointee is not a director in the strict sense. Fees are not normally paid; if a payment is made it is paid into the Consolidated Fund. Care is taken to avoid possible conflicts of interest.

20. These arrangements have enabled departments to broaden their direct knowledge of how companies operate at boardroom level within a commercial environment, and more generally have increased the mutual understanding of the departments and companies involved. The appointments have also proved their worth to the individual civil servants in terms of career development. Sixty-nine civil servants held such appointments in 1989, compared with 57 in the previous year.

Longer-term secondments between the Civil Service and non-Business organisations

21. Reflecting the view of successive governments that there should be more contact between government and business to bring about greater mutual understanding, the main thrust of secondment initiatives over the years has been directed towards secondments between government and industrial or commercial organisations. The relevance of business contact does, however, vary among departments, and for some it is appropriate that their secondment priorities should be directed more towards other organisations such as community organisations, public authorities, or the institutions of the European Communities.

between government and other organisations - and we hope that, with the continued goodwill and co-operation of both private and public enterprises, the numbers involved will continue to grow.

Cabinet Office (Office of the Minister for the Civil Service)
Horse Guards Road
London SW1P 3AL

May 1990

ANNEX A

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1989

	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	Grand Total
Ministry of Agriculture, Fisheries and Food	5	2	7	26	1	27	34
Cabinet Office	4	11	15	9	2	11	26
Crown Suppliers	0	1	1	0	0	0	1
HM Customs & Excise	7	2	9	36	0	36	45
Ministry of Defence	166	42	208	138	3	141	349
Department of Education and Science	3	5	8	0	8	8	16
Department of Employment	95	4	99	31	30	61	160
Department of Energy	9	14	23	1	2	3	26
Department of Environment and PSA	8	18	26	25	6	31	57
Export Credits Guarantee Department	3	2	5	0	0	0	5
Government Communications Headquarters	0	0	0	1	0	1	1

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1989

	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	Grand Total
Department of Health	5	5	10	27	63	90	100
Home Office	4	0	4	4	8	12	16
Inland Revenue	16	4	20	7	0	7	27
Intervention Board for Agricultural Produce	1	0	1	0	0	0	1
Lord Chancellor's Department	1	1	2	0	1	1	3
Department for National Savings	8	0	8	0	0	0	8
Office of Fair Trading	0	0	0	1	1	2	2
Office of Population Censuses and Surveys	1	0	1	3	0	3	4
Ordnance Survey	1	0	1	1	0	1	2
Overseas Development Administration	2	1	3	19	1	20	23

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1989

Col 1	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			
	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	Grand Total
Public Record Office	1	0	1	0	0	0	1
Registry of Friendly Societies	0	10	10	0	0	0	10
Royal Mint	5	0	5	1	0	1	6
Scottish Office	5	3	8	7	5	12	20
Serious Fraud Office	0	3	3	0	0	0	3
Department of Social Security	21	2	23	11	4	15	38
Her Majesty's Stationery Office	0	0	0	1	0	1	1
Department of Trade and Industry	41	46	87	13	4	17	104
Department of Transport	9	3	12	12	0	12	24
HM Treasury	7	11	18	5	6	11	29

INTERCHANGE OF STAFF BETWEEN THE CIVIL SERVICE AND OTHER ORGANISATIONS : 1989

	INTERCHANGE WITH INDUSTRY & COMMERCE			INTERCHANGE WITH OTHER ORGANISATIONS			
Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8
	Outward Secondments	Inward Secondments	Total	Outward Secondments	Inward Secondments	Total	Grand Total
Welsh Office	4	5	9	5	1	6	15
TOTAL	432	195	627	384	146	530	1157
Foreign and Commonwealth Office	9	13	22	4	0	4	26

Notes:

1. Only secondments lasting 3 months or more are included.
2. The MOD Industry and Commerce figures include 49 graduate trainee engineers gaining experience of industry as well as working towards their professional qualifications (compared with 75 in 1988).
3. This report, as in earlier years, gives details of interchange in the Home Civil Service. Foreign and Commonwealth Office figures have been appended for completeness.

ORGANISATIONS PARTICIPATING IN CIVIL SERVICE INTERCHANGE WITH INDUSTRY AND COMMERCE : 1989

A&A ELECTRONICS
ACE MICROSYSTEMS
ACKERMANN ELECTRICAL SYSTEMS
ACTION RESOURCE CENTRE
AMDEA
AMERSHAM INTERNATIONAL
ANTHONY DAVIES
APEX TRUST
ARAB/BRITISH CHAMBER OF COMMERCE
ARTHUR ANDERSEN
B & Q KINGFISHER
BALFOUR BEATTY
BANK OF ENGLAND
BANKING LAW REVIEW OFFICE
BARBARA SHELBORN DEVELOPMENTS
BARCLAYS BANK
BARRATT
BBC
BDH
BETTER MADE IN BRITAIN
BINDER HAMLYN
BIRMINGHAM CHAMBER OF COMMERCE
BISHOP PRICE PARTNERS
BKS
BMT
BOURGOGNES
BOVIS URBAN RENEWAL
BP
BRADFORD & BINGLEY BUILDING SOCIETY
BRITISH AEROSPACE
BRITISH AIRWAYS
BRITISH ASIAN TRADE ASSOCIATION
BRITISH COAL
BRITISH GAS
BRITISH INCOMING TOUR OPERATORS ASSOCIATION
BRITISH MARINE INDUSTRIES
BRITISH MARITIME TECHNOLOGY
BRITISH NUCLEAR FUELS
BRITISH PETROLEUM
BRITISH RAIL
BRITISH SHIPBUILDERS
BRITISH STANDARDS INSTITUTE
BRITISH STEEL
BRITISH TELECOM
BROWN & ROOT (UK)
BUCKNALL AUSTIN
BUILDING CONSERVATION TRUST
BURSTON MARSTELLER
BUSINESS AND MANAGEMENT
BUSINESS IN THE CITIES
BUSINESS IN THE COMMUNITY
C&N ELECTRICAL
CAA
CABLE & WIRELESS
CAMMELL LAIRDS
CAREERS RESEARCH & ADVISORY CENTRE
CBI

CEGB
CHARTERED INSTITUTE OF PUBLIC FINANCE & ACCOUNTANCY
CHEMICAL INDUSTRIES
COBBLE BLACKBURN
COMPUTER SERVICES ASSOCIATION
COMPUTING DEVICES
CONOCO
CONSOLIDATED GOLDFIELDS
CONSULTANTS IN ENVIRONMENTAL SCIENCES
COOPERS & LYBRAND
DALES ENTERPRISE AGENCY
DANBURY PARK MANAGEMENT CENTRE
DEFENCE TECHNOLOGY ENTERPRISES
DELOITTE HASKINS & SELLS
DEVONPORT MANAGEMENT
DML
DOWTY
DRG
DRIVERS JONAS
DUNEDIN MANAGEMENT CONSULTANTS
EASAMS
EDO WESTERN COOPERATION
ENEVER SOFTWARE
ENGINEERING COUNCIL
ENVIRONMENTAL RESOURCES
ERNST & WHINNEY
ERNST & YOUNG
ESSO
EXCESS INSURANCE
EXPORT OPPORTUNITIES
FAIREY HYDRAULICS
FELLOWSHIP OF ENGINEERING
FERRANTI
FILTRONIC SPECIAL SYSTEMS
FOOTBALL LEAGUE
FORD MOTOR COMPANY
FOSTER WHEELER ENERGY
FOUNDATION FOR CONDUCTIVE EDUCATION
FROUDE CONSIGN
FURNESS ECONOMIC FORUM
GANE JACKSON SCOTT
GEC
GENERAL COUNCIL OF BRITISH SHIPPING
GKN
GLASGOW OPPORTUNITIES ENTERPRISE
GLAXO HOLDINGS
GRAHAM WARD & ASSOCIATES
GRAMPIAN HOLDINGS
GRANT THORNTON
GREAT BRITISH CITIES
GRINDLAY'S BANK
H P INFORMATION
HALIFAX BUILDING SOCIETY
HART MOSS & COPLEY
HENRY COOPER & SONS
HICKLING PENTECOST DYERS
HILLIER PARKER MAY & ROWDEN
HODGSON IMPEY
HONEYWELL
HUNTER SAPHIR

HUNTING ENGINEERING
IBA
IBM
ICI
ICL
INCO ALLOYS
INDAB MANAGEMENT SERVICES
INDUSTRIAL SOCIETY
INSTITUTE OF CHARTERED ACCOUNTANTS
INTERNATIONAL AIR RADIO
INVERTRON SIMULATED SYSTEMS
IT WORLD
J MARR & SON
J&S MARINE
JCB GROUP/CAMMELL LAIRD
JOHN CRANE PACKAGING
KEWILL SYSTEMS
KODAK
LAURENCE SCOTT & ELECTROMOTORS
LEYLAND DAF
LIFESPAN RESEARCH
LINKLATERS & PAINES
LIVEWIRE (UK)
LLOYDS BANK
LONDON REGIONAL TRANSPORT
LONDON SECURITIES
LUCAS ENGINE MANAGEMENT
MANAGEMENT CHARTER INITIATIVE
MANCHESTER BUSINESS CENTRE
MANCHESTER OLYMPIC BID
MANDERS HOLDINGS
MANORIAL RESEARCH
MARCONI
MARKS & SPENCER
MARS
MCP ELECTRONIC METALS
MEL
MIDLAND BANK
MOTABILITY
MOTOROLA
MVA CONSULTANCY (HONG KONG)
N DERBY ENTERPRISE AGENCY
N DRO/FEL/INO (NETHERLANDS)
NATIONAL AGRICULTURAL TRUST
NATIONAL INSTITUTE OF AGRICULTURAL BOTANY
NATIONAL WESTMINSTER BANK
NATIONWIDE ANGLIA BUILDING SOCIETY
NEI
NEVILLE RUSSELL
NORTH TYNESIDE BUSINESS PARTNERSHIP
NORTHERN DEVELOPMENT
NORTHERN REGION OF ENGLAND FOR EC AFFAIRS
NORTHERN ROCK BUILDING SOCIETY
NORWEST CONSULTANTS
P&OCL
PACT CONSULTANTS
PAINT RESEARCH ASSOCIATION
PANNELL KERR FORSTER CHARTERED ACCOUNTANTS
PAXMAN DIESELS
PEAT MARWICK MCLINTOCK

PERKINS ENGINES
PHILLIPS
PIEDA CONSULTANTS
PILKINGTON
PLENTY NEWBURY
PLESSEY
PORT OF LONDON AUTHORITY
POST OFFICE
PRICE WATERHOUSE ASSOCIATES
PRINCE OF WALES YOUTH BUSINESS TRUST
PROGRAMMES AT WORK
PROJECT FULLEMPLOY
PROJECT NORTH EAST
PROSPECT CENTRE
PROVINCIAL PROPERTY HOLDINGS
PUBLIC FINANCE FOUNDATION
PURNELL & MOORE
QUANTUM BUSINESS SERVICES
RACAL
RANK XEROX
RAYTHEON EUROPE
REMPLOY
ROBSON RHODES
ROCKWELL-COLLINS (UK)
ROLLS ROYCE
ROSYTH ROYAL DOCKYARD
ROYAL BANK OF SCOTLAND
ROYAL MINT SERVICES
ROYAL ORDNANCE
RTZ
RURAL DEVELOPMENT COMMISSION
RUSTON GAS TURBINES
S G WARBURG
SAVE AND PROSPER
SCOTTISH BUSINESS IN THE COMMUNITY
SCOTTISH FINANCIAL ENTERPRISE
SECURITIES AND INVESTMENTS BOARD
SEMA GROUP
SHEFFIELD CHAMBER OF COMMERCE
SHELL (UK)
SHORT BROS
SHROPSHIRE ENTERPRISE TRUST
SINGER LINK-MILES
SIXTH SENSE MAGAZINE
SKILL NET
SMITH & NEPHEW
SMITHS INDUSTRIES
SOFTWARE SCIENCES
SOUTH LONDON TRAINING RESOURCE CENTRE
SPICER & OPPENHEIM
SPICER & PEGLER
STAFFORDSHIRE CHAMBER OF COMMERCE
STC
STRACHAN & HENSHAW
SURVEY METHODS CENTRE
SYSTEMS DESIGNERS
TAKE-OVER PANEL
TARMAC CONSTRUCTION
TAYLOR WOODROW
TECHNOLOGY SKILLS TRAINING

TEESIDE POSITIVE PEOPLE
TEESIDE TOMORROW TEAM
THORN
TOUCHE ROSS
TRIPLEY LLOYD
TRUSTEE SAVINGS BANK
TYNESIDE EDUCATIONAL BUSINESS PARTNERSHIP
UK 2000
UNILEVER
VAISALA (UK)
VARITY CORPORATION
VICKERS
W S ATKINS
WANSBECK BUSINESS CLUB
WEARSIDE OPPORTUNITY
WEIR PUMPS
WEST ESSEX FARMERS
WESTLAND
WIGAN NEW ENTERPRISE
WIMPEY
WOLVERHAMPTON ENTERPRISE
YARD
YARROW SHIPBUILDERS
YORK ENTERPRISE AGENCY
YOUNG ENTERPRISE

ANNEX C

CIVIL SERVICE INTERCHANGE WITH INDUSTRY AND COMMERCE, 1989: OUTWARD SECONDMENTS BY REGION

*REGION	NUMBER OF OUTWARD SECONDMENTS
North	31
Yorkshire and Humberside	11
East Midlands	11
East Anglia	6
South East	195
South West	23
West Midlands	61
North West	15
Wales	13
Scotland	28
Northern Ireland	1
	395
Others (including those outside UK)	37
TOTAL	432

*As defined by the Central Statistical Office

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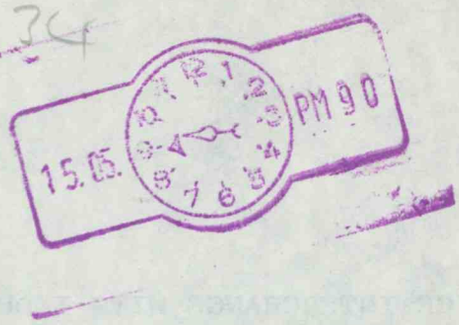
B 34



Prime Minister

Do you want to raise this with the Chancellor at your bilateral on Monday? / Yes pls
Or do you want to write to Mr Ridley? BTHP 11/5

MR POTTER

11 May 1990

THE DEREGULATION INITIATIVE

Mr Ridley will shortly seek the agreement of colleagues for the proposals about the future of the deregulation initiative which he will put to E(CP).

The Prime Minister may wish to express her general views to the Chancellor at his next bilateral.

Proposals on three levels

The Enterprise and Deregulation Unit (EDU) in the DTI wants to tackle its job on three levels:

a) By carrying out the sort of "Wider Reviews" put forward in December 1989. These are concerned with the compliance costs of taxation/VAT/social security systems and of Company Law and they have also suggested building up a UK data base on business licensing. The Prime Minister has already made clear her support for the Treasury which objects to EDU tackling issues of fiscal rather than administrative policy. She should reiterate that. The EDU can properly define issues of concern to business but the job of dealing with them is for departmental deregulators.

b) By pursuing the specific issues which have emerged from a programme of case studies commissioned by Mr Ridley from the EDU between Christmas and Easter 1990. The EDU report identifies specific areas in which business has regulatory problems. Individual departments have to deal with these but EDU should be given the fullest possible support in following them up and in continuing to do studies like this. The health of the small company sector in particular is a matter of high priority but departments admit that it is a difficult constituency to consult or monitor. Mr Ridley's case study approach is doing a very useful job.

c) By strengthening the requirement that ministerial papers which propose regulation should not go forward for collective consideration without an assessment of compliance costs.

Mr Ridley would welcome support for the idea that White Papers should include an estimate of the likely costs to business of new regulatory proposals to compare with the anticipated benefits. He would also like ministerial bids for the legislative programme to include a statement on the implications for business (not just for Government) under the "financial, manpower and EC aspects" heading. The Prime Minister will see this as the key issue for the deregulation initiative. Legislation is not "free of charge" and there is constant pressure for new regulation. Good Government must discipline itself to measure the costs which it imposes on the wealth-creating sector, and Treasury support for these procedural changes would be very valuable.

RECOMMENDATION

That the Prime Minister should indicate to the Chancellor her view that:

i) Wider reviews by the EDU should be discouraged; but that

ii) specific recommendations emerging from case studies must be tackled effectively by departments concerned, and that the EDU should continue to monitor the position of the small company sector in particular. No-one else will.

iii) that Mr Ridley's wish to strengthen the procedures which call on departments to estimate the costs for business of new regulation should be strongly supported.

The annex to this note is a Policy Unit paper which looks at these issues in more detail.

Howell Harris Hughes

HOWELL HARRIS HUGHES

PROFESSOR GRIFFITHS 25 April 1990

cc: Policy Unit Members

THE DEREGULATION INITIATIVE

Mr Ridley will soon present two papers to E(CP). One will review the achievements of the initiative since the 1988 White Paper "Releasing Enterprise" and the other will look at the 'Way Forward'.

In the words of the 1988 White Paper, "Deregulation is central to the Government's strategy for wealth creation". The objective is to reduce government intervention in economic activity to the minimum and also to promote efficiency in what the Government must do.

THE BACKGROUND

1. The Initiative originally launched in 1985 nominated a minister in each department to be responsible for deregulation, supported by a departmental deregulation unit. A central task force - the Enterprise and Deregulation Unit (EDU) - was set up by Lord Young and followed him from the Department of Employment to the DTI.

2. The EDU organised 6-monthly "forward looks" at all new regulatory proposals and departments were asked to assess the likely costs for business of what was proposed. In addition, there were to be rolling reviews of regulations already in force with the aim of repeal or simplification.

3. In 1985 the EDU was given a life of 3 years to monitor the launching of the Initiative. This was later extended to April 1990 but it was always assumed that the Initiative would presently achieve a "permanent and pervasive increase in the value put on the needs of business in all government work" and that the EDU would then "wither away".

4. The "Next Steps" policy launched in February 1988 reflects in part the same thinking as that of the deregulation initiative. Its aim is to improve the efficiency of those parts of government with which business has most dealings, eg the Planning Inspectorate. Agencies

are supposed to run on business lines and be free from Civil Service constraints on pay and numbers which could otherwise lead to bottle necks and delays.

DEALING WITH EXISTING REGULATIONS

5. The first "rolling review" of existing regulations did produce useful deregulation by most departments but when last autumn Mr Ridley called for suggestions for the second review not many were forthcoming. Departments generally say that the pressure from business for deregulation is slight but that they do respond to specific complaints; that is true but it reflects the position of existing businesses. Obstacles to the creation of new businesses cannot be assessed in the same way and it is on that area which the DTI now puts the emphasis - by recommending a set of wider interdepartmental reviews to look at the way in which regulatory obligations, company law requirements, employment law and licensing systems affect company start-up situations. VAT and other tax-related issues are however excluded as being matters for the Treasury alone.

NEW REGULATION

6. When new regulations are contemplated, departments are expected to submit a Compliance Cost Assessment (CCA) to estimate the impact on business. A practical problem is that it may be difficult to consult those whom a new regulation may affect until a fairly late stage in the development of policy, for reasons of confidentiality. Often there is a conflict between the time needed to produce good CCA reports and the constraints of the legislative timetable. The Cabinet Office sees its first duty as keeping the business moving and it will not want to wait for revised CCA work.

THE PROBLEMS

7. A big practical problem is that small businesses are a specific concern of the DTI and, although the EDU is staffed by seconded officials as well, its policy objectives may look like DTI interference in the work of other departments. I think there is

evidence that the EDU is sometimes pretty heavy handed and the only way to surmount the tensions which very clearly exist would be to recreate the political will which made interdepartmental cooperation on the small business question a high priority.
MISC 133 under Lord Young's chairmanship did that but E(CP) is not going to be the same sort of forum.

8. I have spoken to a consultant whom the EDU used to report on the CCA mechanism and he confirms that the reports are often quantitatively weak. However, he accepts that, to do the job properly, departments would have to have allocate more experienced staff and economists and most choose not to do so. That said, a list of all the CCA work done is published 6-monthly in the Journal of the Association of British Chambers of Commerce so that business knows what has been done and can if necessary come back for further discussion. I understand from the main departments concerned that this has never happened and that the level of representations about costs of regulation is very small. Part of the reason for that is that departments often have very close contact with industry and will have consulted effectively about the best way of handling a regulation in practice, even if costs are not quantified.

9. However, departments admit that only the established companies are consulted and their interests and convenience will carry much more weight than the small fry on whom these burdens must be more onerous; and it is generally accepted that CCA work would have to be done in a different way if proper weight were given to them.

10. In terms of central control, the CCA does not have the same weight as the public expenditure and civil service manpower paragraphs whose inclusion the Cabinet Office will police when departments submit proposals. MISC 133 was thought to be an effective pressure group in pushing for realistic CCA procedures under Lord Young's chairmanship, but when he resigned the Cabinet Office moved quickly to bring deregulation into E(CP) which will rarely have time to focus on the issues. So in practice it is up to EDU to make what representations it thinks necessary if proper CCA work has not been done. Yet recreating a MISC 133 would only work if

it were accepted that the departmental level of commitment to CCA work had to be consistently high; otherwise arguments with the EDU will just slow the whole legislative process down.

EURO-REGULATION

11. The initiative which set out to simplify existing regulations and to cost new ones was not intended to deal with regulations coming out of Brussels. A separate initiative was taken in that area - a taskforce was set up at British instance which has since become DG23- a kind of EDU. When new regulations are issued they should be accompanied by a sort of CCA (the fiche d'impact). The quality of the fiches varies hugely and DG23 is not thought to be very effective yet in producing change, although European business organisations are beginning to take a closer interest in the process. The real responsibility rests with the UK permanent representatives and Whitehall departments themselves being able to influence the consultations and lobby effectively whilst regulations are still in draft -and this is an increasingly time demanding activity. EDU's only contribution is to encourage British business to talk to its European counterparts and creative a user lobby. I am not clear that we can do much more; it needs a change in the constitution of the EC to give us a much more effective voice in this area, eg if the Council of Ministers initiated legislation etc rather than the Commission.

A LOSS OF IMPETUS?

12. The deregulation initiative is widely thought to be running out of steam because it lacks the impetus which Lord Young originally gave it. EDU pressure on departmental regulators is often resisted because departments think that their relationships with business are close enough to avoid "bad regulation" anyway. At the centre, there is not much incentive for the Cabinet Office to impose sanctions on departments that do not produce adequate CCA reporting.

13. Yet the initiative clearly does serve important policy objectives which would justify a bigger political commitment.

(a) We see the small company as a vitally important contributor to economic growth. That is why the DTI now wants to concentrate on the regulatory barriers to getting new businesses going (and, equally, to make sure that competition policy is consistent with the same approach). The system which produces regulations must make sure that the situation of the small companies to which they apply is clearly understood; these businesses are less well able to lobby for themselves.

(b) Legislation is not free of charge. Good government has to make a cost benefit analysis of the rules which it lays down. We have consistently wanted to introduce the techniques of business into government; the "next steps" agencies are one aspect of that policy and compliance cost assessments should be another. The fact that the Financial Services Act could be carried without any such assessment or that the Insolvency Act had 1,000 amendments make to it by the Government itself during discussion points to that need.

(c) The points above are given added force by the new pressures for regulation. These stem from consumer pressure for higher standards, eg of food safety and from the "watchdog" activities of the regulatory bodies set up in the context of privatisation. Because more regulation is inevitable in some areas, it is all the more important for government to look at costs to business of the different ways of imposing standards.

CONCLUSION

14. These policy objectives need much wider support if we are to achieve them. In particular, the positive backing of the Treasury is very important. I would like to recommend that the Prime Minister uses Mr Ridley's papers as an opportunity to get that support from the Chancellor.

15. Given Treasury support for the mechanism which makes sure that small companies are not stifled by regulation and that there is rigorous costing of regulation in every area, it would not matter that

the central Enterprise and Deregulation Unit stayed in the DTI for the time being. It would be premature to do away with it but it must be made clear that its aims are those of the Government and not just the Department.

Howell Harris Hughes

HOWELL HARRIS HUGHES

JP5234p

NDPM

DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01 - 210 3000

From the Secretary of State for Social Security

Sir Angus Fraser
Efficiency Unit
70 Whitehall
LONDON
SW1A 2AS

9th May 1990

Dear Angus,

BUSINESS OF SERVICE: IMPLEMENTATION REPORT

In January last year, my predecessor approved and announced to Parliament an Action Plan for implementation of the Business of Service Scrutiny published in June 1988. This was a major and wide-ranging review of the Department's Regional Organisation which addressed a number of perceived deficiencies in its performance and looked forward to improvements in the organisation and management of work to be achieved in the context of a Benefits Agency (itself recommended by the contemporary Next Steps Study). The Report's central thrust was towards devolution of authority to local office managers as the best means of improving service to the public. Other recommendations were for a shortening of the line of senior management, improvements in resource allocation and management, development of local service planning, improved training for managers to help them fulfil their new tasks, the development of a corporate image for the Service, and the provision of improved management information for managers at all levels.

Some important recommendations have already been put into effect - specifically a start has been made on the relocation of work from London (I opened the first Social Security Centre in Glasgow), and a national Statement of Good Service was published in May last year, associated with targets for improvement by local offices in the delivery of key benefit outputs.

I now attach the Implementation Report for the Scrutiny which I have approved. As you will see, a substantial programme of further work lies ahead, and is being carried forward as part of our preparations for setting up the Benefits Agency. I am confident that if this work is carried through successfully, the Benefits Agency will be well placed to make a major qualitative breakthrough in the service we deliver and the way in which it is perceived by both public and staff. It will complement and provide an appropriate managerial framework for the Operational Strategy.

E.R.

Since the Action Plan for the Scrutiny was announced by means of a written PQ and laid in the Libraries of both Houses, I propose to follow the same procedure with the Implementation Report. I attach a draft for this purpose. Subject to your comments and those of copy recipients, I shall proceed accordingly. I should expect the announcement to be received quietly but favourably.

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

Yours ever,
Tony.

TONY NEWTON

BUSINESS OF SERVICE IMPLEMENTATION REPORT

MANAGEMENT SUMMARY

Introduction

1. The Business of Service report was published in June 1988. It contained 54 recommendations covering a wide range of activity in the Social Security Regional Organisation. The central thrust of the recommendations was towards devolution of authority to local managers as the best means of improving service to the public. In January 1989 Ministers published their response to the report in the form of an Action Plan. None of the recommendations were rejected - those that were not immediately accepted were to be the subject of further detailed study.

Definition of Service/Targets

2. In May 1989 the first two recommendations were implemented when a national definition of service was launched, and national performance targets were made publicly available for the first time. The definition will remain a touchstone against which to measure future developments and the targets will be developed and expanded to cover other areas. In 1990/91, for example, targets will be introduced for some aspects of the quality of service provided by local offices, including waiting times in the office, and the quality of letters and telephone services.

Organisation and Structure

3. Also in May, it was announced that social security operations would be organised as a "Next Steps" Agency from April 1991. The further work on the recommendations relating to the organisation and structure of the Regional Organisation was therefore extended to cover the two central offices, and was regarded as preparatory to the creation of the Agency. In July 1989 the Social Security Management Board accepted in principle the study team's recommendation for a simplified management structure for social security operations. Further work is in hand to develop detailed proposals for a structure based on fewer, larger Local Management Units (without reducing the number of outlets to the public); a tier of Area Directors broadly combining the current functions of Group Managers and Regional Controllers; and a number of Operational Directors as members of the Agency's Management Board.

4. Detailed work is in hand on job design to develop organisational options to support the "whole person concept". In addition, specialist adjudication is being tested in the new Social Security Centre in Glasgow, and a fraud scrutiny has recommended a separate line management structure for the fraud organisation. (Decisions on the scrutiny's recommendations are awaiting Ministerial approval).

5. A resource allocation, budgets and service planning working group has been considering the scope for devolution of increased budgetary responsibility to local office managers. Proposals for change are currently under consideration.

6. Resource allocation is increasingly linked to local needs. Non-manpower budgets are allocated after bids from the local level, and the new integrated complementing system, implemented from 1 April 1990, links the allocation of manpower budgets to productivity and standards of service, and takes account of local factors which can cause variation in productivity between offices.

7. A pilot exercise to develop a national system for service planning at local level began in the autumn of 1989 and ran until March 1990. It is planned to extend the pilot into the next tranche of offices in the autumn of 1990.

Relocation of Work

8. The scrutiny recommended a new network involving relocation of work from some of the most hard-pressed London local offices. In January 1989 it was announced that 21 local offices in London would be reorganised into 8 district offices and over 20 branch offices. The backroom work would be relocated to three social security centres (SSCs) in Glasgow, Belfast and Makerfield. A communications system was developed for the new network and relocation of work from the first London office began on time on 14 August 1989. Relocation will continue in stages with the Belfast SSC starting operations in June 1990 and Makerfield in November 1990.

Management Tools

9. Performance indicators have been extended considerably so that they now measure about 70% of the output of local offices. The ICS will produce better aggregate indicators, which link performance to the resources used. It will allow comparison between offices, and will also allow an individual local manager to predict the outcome of different ways of using the resources

available to him.

10. All social security management information is currently being computerised. A study is also underway to enable interaction between the various systems to produce a set of management tools which will allow control of work costs and staff resources.

11, Routine customer opinion surveys will be undertaken by all local offices from the autumn of 1989, and there will also be a major national survey at 5-yearly intervals. In addition, there will be regular surveys of staff.

Staff Training and Support

12. Two major reviews of training in the Regional Organisation have been undertaken. The first looked at training for grades from HEO to grade 5 and concluded that all managers should undertake training in key areas such as resource and staff management, management information, and customer care.

Planning is now under way for implementation of the report's recommendations all of which should be implemented by mid 1990. In addition, a significant programme of secondments is underway to broaden the experience of current and future managers. The second review looked at all existing training materials to ensure that they reflected recent changes to procedures and job design.

13. Another major initiative has been the development of a customer care package for staff who come into contact with the public. This has been piloted with staff who will be benefit advisers in the new London network and has proved very successful. The training itself has been supported by a series of prompt cards on all social security benefits and a pocket guide to benefit rates to enable benefit advisers to be as helpful as possible to customers attending branch offices.

14. In addition to these developments, consideration is being given to the feasibility of a recognised vocational qualification in social security work.

Career Development

15. Managers' responsibility for promoting the career development of their staff is now recognised in the performance review and appraisal system. A Career Development Guide is in preparation for publication in 1990 and the MDP and SMDP schemes have been revised and developed. The Department is also involved in regional civil service careers schemes to promote secondments for staff who are unable to transfer to London. The

details of the financial arrangements for those who move to take up a new post on detached duty are also being widely promulgated.

Recruitment and Retention of Staff

16. New recruitment literature will be available from mid-1990, and information on alternative working patterns will also be published. A "keeping in touch" scheme has been launched and will be monitored in the new Career Break Scheme.

17. Considerable efforts have been made to improve communications with staff. Electronic mail was introduced nationally from May 1989 and an overall review of internal management communications is underway.

18. Flexible pay agreements and the special bonus scheme increase the scope for recognising good performance.

Image

19. Consultants were commissioned at the end of June 1989 to design a corporate image for local social security offices. The image will be trialled in two pilot offices in Ealing and Leicester (Yeoman Street) in 1990. Following evaluation of the pilot, the consultants will produce guidance on designs and materials which can then be used by local managers as funds become available for refurbishment.

Value for Money

20. The scrutiny report was aimed at achieving better value in terms of a more efficient and effective service for the money currently spent on social security administration. Many of the recommendations involved making better use of resources already deployed on, for example, training and management information systems. In some cases, for example, relocation of work from London, additional investment is needed to release the added value. But earnings are also expected with the planned reduction in the tiers of administration. The package as a whole will create a framework which will deliver a more economic, efficient and effective service.

THE BUSINESS OF SERVICE

IMPLEMENTATION REPORT

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1. INTRODUCTION

The report

1.1 The regional organisation scrutiny produced its report "The Business of Service" in July 1988.

1.2 It identified both problems and opportunities. The main problems were:

* a service to the public which was too variable to be acceptable and in some places an overall standard of service which was absolutely unacceptable;

* a lack of direction and common purpose for the organisation as a whole;

* a network of offices which was not best suited to current circumstances;

* difficulties in recruiting and retaining staff;

* failure to make best use of existing local office managers and staff;

* a poor public image - with both customers and staff.

1.3 There were positive aspects too - and the scrutiny report identified opportunities for:

* relocating work which does not require face to face contact with the public;

* improving staff morale, motivation, and performance;

* exploiting information technology to create better jobs for staff and provide a better service to the public;

* securing better value for money.

The scrutiny's terms of reference are at Annex 1, and a list of recommendations is at Annex 2.

The recommendations

1.4 Social security is a service industry and its product should be a good quality service, with

an organisational structure which is built around the customer. Against this background the scrutiny report made fifty four detailed recommendations.

1.5 The main solutions proposed were:

* a national definition of good service with objective measures for each component part so that the whole organisation knows what it is aiming for;

* a streamlined management structure with clear responsibility of senior management for strategic issues and local management for delivering the service to an agreed standard;

* organisation of social security operations on an agency basis to consolidate this allocation of functions;

* a resource allocation, budgetary, and service planning system which enables local managers as much freedom as possible to run their service and provides the resources to enable them to do so within a framework of forward planning and accountability for the results achieved;

* a re-examination of the network of social security offices against criteria of performance and accountability and taking account of the fact that not all work requires face to face contact with the public;

* integrated team working for a specific group of clients so that customers have one point of contact with the service for all their needs;

* provision of modern telecommunications and data systems to support the local office network and provide an accessible service to the public;

* systematic management skills and career development;

* further development of management tools to help measure and plan a good service;

* measures to improve staff recruitment and

retention;

* customer orientated staff training;

* development of a more consistent, businesslike image for the organisation.

1.6 The scrutiny recommendations comprise a package that concerns the whole organisation from top to bottom. The last two recommendations were therefore that the general supervision of implementation should rest with the Social Security Management Board with specific responsibility for direction vested in one person at a very senior level (recommendation 53) and that day to day responsibility for ensuring that a plan was produced and action taken forward should be assigned to a large executive implementation team (recommendation 54).

Action taken and results achieved

1.7 A great deal has been achieved since the scrutiny report was published. An implementation was set up, the Director of the Regional Organisation was appointed as Action Manager, and general supervision for the work assigned to the Director of the Social Security Organisation. Ministers accepted most of the recommendations in the report, but there were a number where they wanted further studies to be done before making final decisions.

1.8 The main landmarks and achievements in the implementation process have been:

* the publication, on 16 January 1989, of the action plan for implementation of the scrutiny report's recommendations;

* the announcement, also on 16 January, of the decision to implement a first pilot phase of a new local office network which moves work not requiring face to face contact with the public out of London - implementation of the new network began on time on 14 August 1989;

* the publication in May 1989 of a national definition of good service accompanied by objective measures of what constitutes a good service;

* the announcement, also in May 1989, that social security benefit operations would

be organised on a next steps agency basis from April 1991;

* steady progress in all the areas covered by the scrutiny team's recommendations - including major further reviews of staff training, management training, and fraud work, and the development of management information and communications systems.

Further action

1.9 Much of the further work on the main recommendations is being carried forward as part of the timetable for implementation of the Benefits Agency and this has a firm schedule running up to April 1991. But the points made in the scrutiny report about the desirability of staged implementation and the need to avoid turmoil throughout the organisation have been heeded.

Value for money

1.10 The costs and benefits of the various recommendations are outlined in chapters 2 to 10, but there are some general points that need to be made. First, that the scrutiny report was not about saving money but about getting better value in terms of a more efficient and effective service for the money currently spent on social security administration. Many of the recommendations involved making better use of resources already deployed on, for example, training and management information systems. Second, that the whole is more than the sum of the parts - together the changes flowing from the report (along with other developments like the local office computerisation programme) should make a big difference to the way social security is delivered to the public. The national definition of good service provides the essential frame of reference against which these improvements can be judged. Third, that some additional investment is needed to release the added value, but savings are expected too with the planned reduction in the tiers of social security administration. Last, and most important, that the package as a whole is set to create a framework which will continue to deliver a better service to customers and better value for money in all its aspects:

- A more economic service because managers will have greater scope to make their own spending decisions and will have every

incentive to minimise the costs of resources whilst ensuring that quality is not compromised;

- a more <u>efficient</u> service because there is a clearer definition of the outputs required (in terms of a good service) and the tools will be available for managers to make informed choices about the resources needed to produce a given level of service; and

- a more <u>effective</u> service because the organisation now has a clearer sense of purpose and the means to establish whether it is meeting its objectives.

2 A GOOD SERVICE (recommendations 1 and 2)

2.1 The starting point for the Business of Service recommendations was the need for a clear statement from the top - Ministers and the Social Security Management Board - about what sort of service social security should be. This definition should be accompanied by objective measures of what the service should be trying to achieve.

Action taken and results achieved

2.2 A national definition of good service was announced by the Secretary of State on 17 May 1989 (a copy is attached at Annex 3). He set out, for the first time in a public statement, the essential elements of good practice - efficiency, responsiveness, and fairness - and spelt out what these meant. The statement - which was both a reflection of best current practice and a commitment of the whole organisation for the future - was sent to all staff in the social security organisation and to agencies, like the Citizens Advice Bureaux, with an interest in social security.

2.3 This definition of good service was accompanied by the publication of desirable standards of service, generally expressed in terms of time taken to deal with specific areas of work, to be attained over the next 3 to 4 years and measured by a range of key performance indicators. The targets (set out at Annex 4) were also expressed in terms of a tolerable range with the better figure being the performance that all offices should aim for as fast as the efficient use of available resources permits and the lower figure being the minimum standard which all local offices should seek to attain. Within that range annual individual local office performance targets have been set which recognise the fact that different local offices start from different levels and operate in different environments.

At the same time the existing targets for the benefits and contributions work done by Newcastle and North Fylde central offices were reviewed and incorporated in the package.

Further action

2.4 The development of measures of good service is not a once and for all activity. The measures so far devised and the targets set are a first

step. Further, more qualitative measures are being developed and the existing targets will be reviewed annually with a view to improving the standard of service offered to the public as resources permit. The Benefits Agency will continue to build on this framework.

Value for money

2.5 The task of producing and publishing the definition of service and setting service standards had negligible costs and required no new resources. The benefits however of defining the service expected and the national performance targets to be achieved are wide ranging:-

- They set the context in which the Benefits Agency will start to do its work and are an essential starting point for improvements in effectiveness and efficiency.

- The whole organisation and its customers now have a clearer idea of what it is seeking to achieve and the means of knowing what progress it has made over specific periods of time.

- The service standards also provide a benchmark against which changes relating to the delivery of social security can be evaluated - it is now possible to judge whether a particular change moves us closer to it.

3 ORGANISATION AND STRUCTURE OF THE SOCIAL SECURITY SERVICE

(recommendations 3, 4, 5, 9, 10, 11, 20, 21 and 22)

3.1 The scrutiny team's recommendations on the way that social security is organised and delivered were concerned primarily with ensuring that there should be maximum delegation of authority to local level with senior management focussing on strategic issues. Local managers should have available to them the necessary support and advice to do their job effectively, including clear messages from senior management about the organisation's objectives and priorities.

Action taken and results achieved

3.2 The roles of the SSMB (chaired by the Permanent Secretary) and ROMT (chaired by the Director of the Regional Organisation), have recently been reviewed. The Management Board has adopted revised terms of reference which focus more on strategic issues and less on monitoring activities. Similarly, the ROMT is ensuring that its work, including the management accounts and reports it receives from each region, concentrates on strategic issues. This approach is also being carried forward into the DRO's reviews of each region's performance.

3.3 The main recommendations on organisation and structure have been the subject of further detailed study to consider their feasibility and the best way to put them into effect. The Secretary of State announced in May 1989 that social security benefit operations would be organised formally on an agency basis from April 1991.

3.4 In the meantime, a study team has been considering how the other organisation and structure recommendations can be put into effect. Their remit has included the regional organisation and the Central Offices at Newcastle and North Fylde. The study team's conclusions are framed in the context of the move to agency status, but were not constrained by the Business of Service scrutiny's other specific recommendations on organisation and structure. During a wide ranging consultative review of all levels of management the team examined afresh the functions undertaken at each level of management in the social security organisation and applied the general principles shown in Annex 5 to reach a series of conclusions which are shown in Annex 6.

3.5 These conclusions were considered and accepted in principle by the Social Security Management Board in July 1989 as the basis for further detailed work. As a result, within the framework of the Benefit Agency, the senior management structure of Social Security Operations will be simplified and the length of the hierarchy above local management reduced.

Further action

3.6 A firm timetable has been drawn up for completing the work on the development of the new structure in time for the establishment of the Benefits Agency. The timetable includes the setting up of working pilot schemes in autumn 1989 to test and demonstrate elements of the new arrangements such as service planning. It envisages that the Agency Chief Executive will be appointed by April 1990. Although some work will need to continue beyond April 1991, for example to restructure local management units, all the elements of the new social security management structure will be in place when the Agency is launched in April 1991.

The organisation of social security work

3.7 Whilst advocating maximum delegation of authority to local managers for the delivery of the social security service, the scrutiny report identified three issues on which a more consistent approach might be desirable.

It recommended that:

* all offices should organise in teams established to do all the work for a particular group of clients (9);

* adjudication of non-straightforward claims should be regarded as a specialist function (10);

* fraud policy and operations should be run as a separately funded agency within the regional organisation (11);

Action taken and results achieved

3.8 Options for integrated working by staff dealing with groups of clients is being developed as part of the work of the Job Design and Organisation team. The team's role is to consider the impact of the computerisation of

benefits assessment work on local office jobs and the opportunities this provides for improving job satisfaction and providing a better service to the public. An incremental test programme to evaluate the implications of integrated working in respect of two client groups, income support and pensions recipients, and the implications of specialist adjudication within local offices started in December 1989 - first in the Department's model office, a test bed for new procedures and working practices, and then in April 1990 in two offices piloting operational strategy computer systems. Development of further test programmes for other methods of integrated working will continue and be tested as the systems became available.

3.9 The principle of specialist adjudication has been endorsed by the Chief Adjudication Officer, who identified 32 subjects suitable for "off-line" specialist action, and accepted in principle by the Department. Drawing on the experience of specialist adjudication within the Glasgow SSC, where the operational strategy systems provide for 80-90% of adjudication decisions to be made by Local Officer IIs (LOIIs) and the pilot in the model office, a working group is considering such issues as identification of subject areas suitable for specialist adjudication, the viability of specialist sections and the needs of common adjudication. They will report their findings in December 1990, and produce quarterly interim reports, which will inform and advise managers of the consequences of a change to integrated working and specialist adjudication.

3.10 The way in which fraud is handled by the social security organisation has been the subject of a separate efficiency scrutiny which began on 12 December 1988 and reported on 21 April 1989. That scrutiny's recommendations are still under consideration.

Further action

3.11 Further work on a revised organisation for fraud work depends on decisions to be made by Ministers on the recommendations of the fraud efficiency scrutiny. The aim will be to incorporate the new arrangements in the Benefits Agency at the inception in April 1991.

Value for money

3.12 The proposed changes in the structure of the

social security organisation will lead to more economic administration. However, neither the scale of the savings (staff, accommodation, training, travel, etc) nor the cost of implementation can be firmly quantified until final decisions on the structure and appropriate grading for different management posts have been taken.

3.13 Other benefits to the organisation and its customers resultant from the new structure, which at this stage cannot be quantified, include:-

- improved accountability and definition of the limits of management responsibility. Each tier of management will have a clearer role and better defined areas of accountability responsibility which will allow managers of all levels, to respond in a more independent, imaginative and flexible way in order to fulfil their tasks;

- improved quality and effectiveness of administrative decisions derived from devolved authority will produce more flexible and customer orientated service, which responds to the needs of the local environment;

- direct control of the service provided will result in a less bureaucratic, more professional service which will also result in improved job satisfaction for both managers and staff.

3.14 Equally important for the customer and for improving value for money are the developments in the way that social security work is organised:

- methods of integrated working can help gear the service to the customers' needs;

- as the point of access provides a more comprehensive and improved standard of service it will increase the effectiveness of receptionists and thereby reduce caller waiting time;

- specialist adjudication will improve accuracy in adjudication resulting in less time spent by staff dealing with complaints and in review.

There will be a cost in organising work in a different way - no change is entirely free of costs - but the new organisation should mean that money is better spent on providing a much improved service to customers and providing more job satisfaction for staff.

3.15 The reorganisation of fraud work will ensure a more consistent, effective approach to the detection and investigation of fraud and is expected to yield benefit savings. The current estimate is that gross benefit savings will increase by £27m a year. In addition, administrative savings from restructuring will release a further £1.2m. Once the new structure has been "bedded down", therefore, the full annual savings are likely to be of the order of £30m.

4 RESOURCE ALLOCATION, BUDGETS, AND SERVICE PLANNING (recommendations 6-8 and 16-19)

4.1 Creating the organisational framework for maximum delegation of decision making to local level is only part of the picture. Equally important is that managers have the means to make real choices by having much more control over the administrative resources they use to provide a service. Hand in hand with this is a need for arrangements to ensure that proper service planning takes place at local level so that managers are seeking to provide and can be held responsible for an agreed level of service.

Resource allocation and budgets

Action taken and results achieved

4.2 A working group was set up in January 1989 to consider the issues raised by the recommendations for devolving budgets to local and group managers. The group considered existing constraints on local managers' use of their budgets, the scope for greater devolution, and the controls and accounting procedures that would be required. The working group has produced a first set of proposals which outline a framework which will allow managers the freedom required whilst assuring probity.

4.3 Current arrangements are already moving in the direction of resource allocation based on local need. Non-manpower budgets bids are built up from local office level and the allocations therefore take account of the local view of what is needed. On manpower, the Department's new complementing system - to be implemented from 1 April 1990 - links the allocation of manpower budgets to local offices to productivity and standards of service, but it also takes account of local factors which can cause variations in productivity between offices. The aim is to allocate resources in such a way as to ensure that standards are raised across the country.

Further action

4.4 The working group on devolved budgets identified a number of issues which needed further consideration, including:

* the need for and scope of spending guidelines for local managers;

* the group and, in the new organisation,

the area directors' roles;

* the relationship between the new staff complementing system and maximum flexibility for local managers;

* the identification of and treatment of items which cannot sensibly be devolved to local level;

* the action required in order to move, as soon as possible, to a system which bases budgets on actual costs;

* an interim budgetary control and information system to support managers in the period before ARMS is introduced (see chapter 6, para 4);

* how to handle unexpectedly large efficiency savings over and above the levels planned for.

4.5 These issues are now being considered as part of the preparations for agency status: most are not unique to the Benefits Agency and will need to be resolved at national level. As a first stage in implementing the proposals, further devolution of selected individual budget items to local level in selected pilot offices is planned from December 1990.

4.6 In conjunction with the review of the structure of the central offices consideration is also being given to the possible benefits of devolving budgets within the central offices and unifying the resource allocation system of the central offices with that of the regional organisation.

Service planning

4.7 The scrutiny report stressed the need for local managers to produce rolling plans to advance the service they provide towards the desired standard.

Action taken and results achieved

4.8 In the last 12 to 18 months the regional organisation has established new arrangements for resource bidding, planning, target setting and accountability which make it possible to have a national picture of priorities for funding future years. The intention is to give local managers as firm an indication as possible

for planning purposes about targets and priorities for the planning period. Whilst a range of factors may affect actual allocations, an adequate planning system should allow managers at all levels to adjust to changing circumstances and make the most efficient use of the resources available.

A variety of other sources of information which will help managers in the construction of their forward plans, both local and national, have been identified. These information sources have been combined into a service planning framework which has been piloted from September 1989 in the form of an action learning workshop, in 8 pilot local offices selected to represent the range of local office environments. Service plans for each pilot have now been introduced and are being evaluated.

Further action

4.9 The resultant information from the evaluation of the pilots will be fed back into the development work on service planning, organisation and structure and training, etc, and it is planned to extend the service planning pilot to the next tranche of offices for the planning cycle beginning in the autumn of 1990. The need for a similar system of service planning for the central offices will also be considered along with a review of the current financial systems and organisation.

Value for money

4.10 These measures for systematic service and resource planning and local budgets are at the heart of the improvements in value for money which are expected from the Business of Service recommendations. They do not generally require any additional resources because much of the necessary development work was already in hand and resources committed. Neither will there be any large scale savings. There will however be a series of other benefits to the organisation:-

- responsibility for decisions about the use of resources will rest at the point at which resources are used, and this should ensure greater economy (since managers will have every incentive to minimise costs), efficiency (since managers will be accountable for the outputs achieved for the resources used)

and effectiveness (since they will also be accountable for meeting the objectives outlined in their service plan);

- more effective and efficient resource targetting processes, service planning, devolved authority for budget control, ICS and a bottom up resource bidding and allocation system will ensure that the available resources are better targetted towards the needs of the individual local office;

- a higher quality service which is tailored to local needs. The targetting of resources to meet the needs of individual local offices and local service plans will result in a higher standard of service which is tailored to the local environment and will produce a more consistent quality of service between different offices and hence increased job satisfaction for staff.

5.

RELOCATION OF WORK (recommendations 12-15 and 23)

5.1 This group of recommendations is concerned with service delivery and with the restructuring of the local office network to create a more accessible and effective service to the public. The scrutiny report recommended early implementation of a new network involving relocation of work from some of the most hard pressed London local offices on a scale large enough to have a real impact on performance and small enough to be managed and evaluated.

Action taken, results achieved and further action

5.2 Planning for the first phase of the new network, began in July 1988. In January 1989 the Secretary of State announced that 21 local offices in London would be reorganised into 8 district offices and 23 or 24 branch offices and that the backroom work would be relocated to three social security centres (SSCs) in Glasgow, Belfast and Makerfield.

5.3 The branch offices, which are the main contact point for our customers, will initially be located in existing social security offices. However, new offices will be opened in Wembley and Dulwich to ensure the service is available where the customers need it. Within the branch offices a new post has been created - the Benefit Adviser - who will be trained to offer a high standard of service and provided with comprehensive back-up information to help customers with any aspect of social security and adjudicate on applications for immediate payments.

5.4 To ensure that the new network gains the greatest advantage from the technology available separate studies were undertaken to assess the telecommunications, local office computer project (LOP) and small systems requirements of SSCs, district and branch offices.

5.5 An operational requirement for telecommunications was drawn up in August 1988 and let by competitive tender in January 1989. The main objectives were to be a fast, flexible and reliable communication system including a fast fax facility for calls made to SSCs from the area served by district and branch offices which should be charged at the local rates and that there should be a SSC freephone service

available to customers at branch and district offices.

5.6 Further investigation revealed that no modification to the LOP user specification was required to facilitate relocation. Some desirable improvements have been identified which will be taken forward in a rolling programme as the systems develop and experience is gained in their operation.

5.7 The requirement for several stand alone small systems was identified by a study team and this has resulted in, as a first stage, the installation of fax facilities, electronic mail and word processing equipment, at the Glasgow SSC. Planning and development of small systems is being taken forward in consultation with the Automated Resource Management Systems Project (ARMS) and will result in the continued development of systems to support personnel, finance and stock control.

5.8 The transfer of Income Support work from the first "cluster" of London offices - Ealing, Southall, Acton and Notting Hill - to the first SSC in Glasgow has been completed on schedule. Relocation will continue in stages with the Belfast SSC starting operations in June 1990 and the Makerfield SSC in November 1990.

5.9 To fund this initial stage of relocation a service agreement has been drawn up between London North Region and Scotland Region through which, as an interim measure, the costs of the SSC are being separately identified within the budget for Scotland. The full customer/supplier contract will be developed with the customer holding the budget, as soon as possible. The target date is April 1992.

Value for money

5.10 The latest review of the investment appraisal for the relocation of work from London to the SSCs indicates that the NPV now stands at £23M. This represents a 20% saving in staff required to undertake the work at an SSC when compared to the complement allocated to the London offices. Other savings include rent and rate reductions as London office accommodation is reduced and a falling requirement for major accommodation schemes in London. A full evaluation report on live operations will be published in the middle of May 1990. It will include consideration of the savings accruing from processing of the work

at the remote location.

5.11 Some of the other benefits which have or will result from the relocation exercise are:-

- reduced salary costs with the cessation of London Weighting and local pay additions;

- a reduced staff turnover rate. The latest figures indicate the turnover rate in London is 42% compared to 13% in the receiving regions. This also has a knock-on effect on the costs of staff training and the levels of experience within the network;

- a faster and more accurate service to the public, with waiting times reduced within the caller sections and quicker turn-around times for decisions on claims;

- a quicker and more effective communication system which is owned by the supplier who guarantees the levels of service and is subject to penalties should he fail to deliver the level of service contracted.

6. MANAGEMENT TOOLS (recommendations 40, 41, 42 and 43)

6.1 If managers are to be more responsible and accountable in future for the service they provide they must have adequate management information to enable them to make informed choices about the short and longer term delivery of their service. The necessary information includes measures of output and unit costs, modelling information on the effect of different choices, and information on how customers and staff perceive the organisation and the way it treats them. Moreover the information needs to be available to managers in a way which suits them and encourages them to use it.

Action taken and results achieved

6.2 Work to develop performance indicators for social security business was well in hand before the Business of Service report - and has continued to have a high priority. The report noted that performance indicators were available to measure about 50% of the output of local offices and by August 1989 this had risen to 70%. The new integrated complementing system will produce improved aggregate performance indicators which link performance to the resources used. This will enable the performance of different offices to be compared as well as providing a monitoring tool for local management. The computer models which the system employs also provide a modelling capability. Local managers will be able to predict what the outcome will be in terms of standards of service if resources are distributed in particular ways. Unit cost development is still in its preliminary investigation stage and has been conducted in liaison with the central offices, who are also working in this area.

6.3 To bring these developments together in a common, accessible framework all social security management information is currently being computerised. The Operational Strategy systems will produce management information on performance as part of their day to day running. At present it has to be collected separately. The computerised ICS system, including the aggregate performance indicator packages and models, is already in use in regional offices and centrally and is currently being trialled in

three Regions before being introduced in all local offices. OSMAN, a system for modelling the consequences of choices in relation to manpower planning, has been implemented in the regions since January 1989 and is continuing to be developed. Work on computerising non-manpower budgeting information is now underway and in the meantime standard local clerical records were introduced in April 1989.

6.4 In addition, the Department has underway a study (ARMS) of management information and technological needs across the whole Department. The aim is to produce a set of management tools which will allow control of work, costs, and staff resources for both planning and monitoring. A feasibility study on the ARMS system has just been completed and the intention is to pilot aspects of the system at Headquarters and Newcastle Central Office in the first half of 1990.

6.5 The introduction of routine customer opinion surveys forms the basis of assessing the quality of the service provided. In autumn 1989 all local offices will for the first time be undertaking their own customer opinion surveys using a revised version of the Quality Assessment Package (QAP), first trialled in autumn 1988. The package obtains information by measurements within the office, or direct from the customers, on the quality of the service provided - ie caller waiting times, quality of interviews and outgoing letters, etc which can be compared to a set of, at present informal, national qualitative performance targets. The information obtained through the QAP will be supplemented by a national survey which began in January 1990 and is planned to be completed by the end of March 1990.

6.6 So that the qualitative information obtained can be made available to all managers for comparative planning and target setting purposes within the accountability process, a data base system is being developed which will be available to analyse and store the results of the 1989 QAP.

Further Action

6.7 The value of a formal staff attitude survey to supplement day to day contact between management and staff is accepted and is planned for 1992.

6.8 The ICS will be available at Regional level by April 1990 and a subset of the facilities

available for use by local managers will be piloted from the same date. Piloting of the non-manpower budget information computer system is also planned for April 1990. Both these systems will be evaluated during 1990 and the intention is to introduce them throughout the local office network in April 1991 when the Benefits Agency is launched. The implementation of these and other stand-alone office systems will develop from a strategic plan which results from the work on relocation and the ARMS feasibility study.

6.9 Following the evaluation of the QAP, formal national qualitative targets will be set for local office work which will then be taken forward in conjunction with the quantitative targets (see Chapter 2). Mangers will therefore be able to compare their offices' achievement with other similar offices. This will then inform their approach to local target setting. Preparatory work for the next staff attitude survey will begin in 1990/91.

Value for money

6.10 The cost of developing the management tools for the effective and efficient delivery of service ie output measures, unit costs, performance indicators, etc and the integrated information technology systems to operate and use these measures in the planning and accountability processes is substantial and continuing; for example the £1.25M capital outlay for computerisation of non-manpower budgets. The costings and savings cannot be calculated with any accuracy until the systems required have been developed. Most of the work is related to the ARMS study for which a Business Case has already been developed. However the benefits of such integrated systems are substantial:

- improved output measures etc will give managers a much clearer understanding of the effectiveness of their offices and therefore enable them to improve their planning systems and accurately assess the effects of implemented changes;

- the modelling of choices enables managers to assess accurately the effects of those choices before implementation;

- the new systems will also allow managers to exert greater control over finances and their planning process;

- in general the introduction of these measures will promote the effectiveness of managers which will have a corresponding knock-on effect on the efficiency of their commands and the standard of service provided;

- qualitative targets will help to break the cycle of repeated customer contacts due to poor quality of communication;

- improved customer satisfaction will also provide a boost to staff morale and the image of the Department.

6.11 Current estimates of the costs of the national customer and staff surveys are £70,000 and £44,000 respectively. The cost of local customer surveys, which involves questioning some 30-40,000 members of the public, is estimated at some £300,000. These are additional costs but are essential expenditure as the ultimate test for any service organisation must be customer satisfaction.

7. STAFF TRAINING AND SUPPORT (recommendations 27-30 and 32-39)

7.1 This set of recommendations falls into two main categories - management training and training to give staff the skills and knowledge they need to do their job. Both aspects have been addressed in special studies to ensure that training in the 1990s is better geared to the aims and objectives of the social security organisation and takes full account of its changing structure, methods of operation, and more customer-oriented approach. A major initiative has also been launched to promote a professional approach to customers which recognises each of them as an individual (see paragraph 7.9 below).

Management training

7.2 The management training review (for grades HEO to grade 5) considered how management training can contribute to meeting the service needs of the social security organisation in the 1990s. The conclusion of the review is that all managers should undertake training to equip them in key areas such as resource and staff management, management of information, and the development of a consumer-oriented service.

7.3 The review's recommendations emphasize:

* the need for clear senior management commitment to a management training strategy and philosophy;

* involvement of line managers in identifying the training needs of managers and potential managers and the formulation of personal development plans - line managers should themselves be trained in diagnostic skills and the formulation of development plans;

* line managers responsibility for ensuring that training needs are met and a minimum five days a year is available for training and development activities agreed in an individual's personal plan;

* flexible training methods to meet particular needs, including the use of external training programmes;

* involvement of managers in the design and delivery of programmes on a short-term basis;

* identification of those likely to be promoted within two years so that they can be trained in the skills needed in the next grade.

7.4 In order to broaden the experience of future Social Security managers a secondment scheme has been implemented involving private industry and other public sector services. £1M is available for secondments annually. A number of secondments are underway - with some funded by the host organisation.

Regions have each nominated a secondment liaison office and the promotion of secondments now feature in each Region's management account. External training is already a feature of the regional organisation, which spent £ 1/2M on external training at the Civil Service College, other outside sources and the use of training consultants in 1989/90.

7.5 The management training review's main recommendations have been accepted and planning for implementation is already under way. Outside consultants are working on the launch of the new training strategy and top management involvement is being sought. All of the major training reviews' recommendations should be implemented by mid 1990.

Other recommendations - for example that personnel and training should be under the same line management and that consideration should be given to whether a specific social security management college is required - are being considered in the context of the move to agency status.

Staff training

7.6 This group of recommendations is concerned with ensuring that staff have the skills and knowledge they need to do their job effectively, with emphasis on service to the public, and with proper recognition of the skills they have acquired.

Action taken and results achieved

7.7 All existing training material has been comprehensively reviewed to reflect the changes to procedures and job design flowing from computerisation and to place emphasis throughout on providing a good service to the public which

covers all the elements in the national definition. It has produced a wide ranging set of recommendations aimed at producing an effective training framework for the next decade. Most relevant to the Business of Service report are recommendations for:

- a comprehensive review of all existing training material to place emphasis on good service to the public covering all the elements included in the national definition;

- as much training as possible to be delivered at local level, with flexible delivery of particular self-contained elements of training;

- special learning resource centres to be established to deliver specialist training, some technical and management training and to provide line management with training advice and consultancy support;

- all staff to receive at least half an hour per fortnight refresher/remedial training;

- revised skills training for staff having face to face contact with the public, related to their own particular duties eg liable relatives, Benefit Visiting Officer.

7.8 Other recommendations cover development of computer based training for local office delivery, the role of line managers in developing staff, the devolution of training budgets to local managers and changes to the organisation of the specialist RD training.

7.9 The Regional Directorate Training Organisation is developing a comprehensive training evaluation and costings programme to ensure that the training is relevant to the needs of both individuals and the organisation and that it is produced and presented cost effectively.

Another major initiative has been the development of a customer care package for staff who come into contact with the public. A customer care training course covers the range of situations in which staff meet customers - interviews, telephone conversations, and correspondence - and promotes a professional,

responsive approach to each customer and to meeting all his needs (the whole person concept). A special benefit adviser package provides a series of prompt cards on all social security benefits and a pocket guide to benefit rates to enable benefit advisers to provide general advice and information to customers attending branch offices. This reinforces the new approach of seeking to deal with all of a customer's queries at the same time - rather than providing a partial, fragmented service.

7.10 Customer care training and the back-up benefit adviser material have been provided to staff in the new network offices. Once the package has been evaluated it will be made available to all social security staff who come into contact with the public.

Further action

7.11 The policy outlined in the staff training review has been accepted and detailed work to implement individual recommendations has now started. Many of the proposals will be introduced quickly with all key decisions taken by the middle of 1990.

7.12 Alongside these developments on staff training, consideration is being given to the feasibility of a recognised vocational qualification in social security work. The options available have been identified and discussions have been held with the National Council for Vocational Qualifications and OMCS and the Training Agency.

Value for Money

7.13 Preliminary costings have been prepared of the recommendations of the two training studies. In general implementation costs can be met by redeploying current resources (currently £45M a year in running costs) used on training in the Regional Organisation. Implementing the review of management training is estimated at £3.5M a year and the staff training review's recommendations at £14M a year. Costs of establishing a Management College (if this is needed) and the recommendations on computer based training are excluded, but will be estimated in the further work being done on these issues. The costs of secondments to outside organisations are approximately £1M annually. The costs connected with a vocational training qualification will be identified by the working party which is considering that

proposal. The development and production of the customer care package and the training for Benefit Advisers for the network offices cost some £20,000.

7.14 On current information, therefore, the approaches to management and staff training recommended in the Business of Service report can largely be implemented within current training resources by a reordering of the way things are done.

However, the implementation of the reviews of training will have more wide ranging benefits:-

- the resources deployed on training will be much more closely targetted providing staff with the means to satisfy the objectives of the social security organisation by emphasising the need to provide a good service;

- training for managers and staff will be provided at the right time, increasing operational efficiency by ensuring that they have the necessary knowledge and skills before attempting the required tasks;

- with the training organisation directed towards producing innovative, decisive, resilient, achievement-orientated, goal-directed, positive and change orientated managers (the attributes identified in the management training review) and competent, well-informed, professional customer oriented staff, the long term result will be more efficient and effective management, an improvement in the standards of service provided and an improved image;

- the availability of and opportunities offered by secondments improve the prospects of career development of regionally based staff and broaden the learning experiences of managers when they return to the organisation.

8. CAREER DEVELOPMENT (Recommendations 26, 31, 48, 49 and 50)

8.1 This group of recommendations - together with those on training - is intended to provide a sharpened up, systematic and comprehensive approach to career and management development. The aim is to make the best use of the staff we have, develop their abilities, and ensure that they are in the right place at the right time.

Action taken and results achieved

8.2 From April 1990 managers' performance in promoting the career development of their staff will be brought to account through the performance review and appraisal system. To assist managers in this task and to inform staff members of the opportunities available a Career Development Guide is being prepared for publication in August 1990 which will take into account the proposed changes in the Department.

8.3 The revised Management Development Programme (MDP) scheme has been developed through a booklet for all MDP participants and their line managers, general publicity material in 1989 and a broadening of the entry requirements. The numbers on the scheme have expanded from 96 in November 1988 to 255 in March 1990 - 210 of these from the regional organisation or central offices. To complement the scheme very successful self development workshops are now a permanent feature of the MDP scheme. These workshops are seen as a major contributing factor towards the development of MDP candidates and are now run entirely "in house" reducing the earlier start up costs, which involved the use of external consultants.

8.4 To facilitate the development of staff, including MDP participants, who are unable to transfer to London, the Department is actively involved in the regional Civil Service careers scheme which aims to provide an inter-Departmental framework to facilitate secondments of staff. The scheme was piloted in Cardiff by the Treasury and has been extended to 8 major cities outside the South East.

8.5 Staff mobility should be actively encouraged to enhance operational flexibility and personal development. The Department is issuing a leaflet to each local office outlining the existing benefits (financial and otherwise) of detached

duty. Additional flexibilities to encourage mobility are being considered in the context of preparation for agency status to ensure mobility becomes a more attractive proposition in the 1990s.

Further action

8.6 Active consideration is being given to the range of Career Development and Mobility policies the Agency will require in the 1990s and beyond. Any additional flexibilities or freedoms which build on the existing opportunities and approach will be built into the Career Development Guide.

In the meantime work is in hand to develop a more scientific method of matching MDP posts to the number of expected Grade 7 vacancies.

Value for money

8.7 The initiatives outlined above have limited costs related to the production of promotional literature. The cost per participant of the MDP workshop is now being evaluated, but will be considerably less than the earlier costs using external consultants. The resultant savings are, at present, difficult to assess but the benefits that will be obtained are far ranging and long term:-

- more effective career development, with better targetted training will result in better qualified, better motivated and more professional managers;

- increased mobility during career development will result in managers with a wider range of experiences, expertise and knowledge of the operational practices of the organisation; and

- increased mobility will also result in managers being in the place where their skills are most needed.

9. RECRUITMENT AND RETENTION OF STAFF

9.1 A better service for customers provided by a more professional and better managed body of staff will lead to an improved image and environment for local office work and hence to improve recruitment and retention of staff. The recommendations covered in this section are concerned with these issues.

Recruitment

9.2 The report identified the need for more systematic approaches to recruitment, including efforts to appeal to older age groups and to attract back staff who have left to raise children.

Action taken and results achieved

9.3 The Benefits Agency will need to develop its own approach to the recruitment of staff, but in the meantime the Department is reviewing its recruitment literature to ensure it reflects more flexible types of appointment and working arrangements likely to be available to managers in the 1990s. The new material will be available from mid 1990 and will offer a flexible range of material covering different skills, locations, and grades. Together with information on alternative working patterns (like job-sharing and part-time working) the new recruitment literature will enable local offices to attract a much wider range of potential staff (within whatever recruitment restrictions may apply).

9.4 A "keeping in touch" scheme has already been launched and participants are sent relevant information about current developments by their former local office. The operation of the scheme will be revised following the introduction of the Career Break Scheme whereby staff can have special leave without pay for several years. As this new scheme has its own arrangements for keeping in touch with absentees it may have implications for the future arrangements of the current schemes. The proposed modular format for training and the planned introduction of computer managed learning will enable individual training programmes to be devised for staff who return after a period of absence.

9.5 So far as special recruitment of EOs by the Civil Service Commission is concerned, the Commission have indicated that they are willing

in principle to assist the Department in this way, but the Department is not pursuing this. First, because current developments (particularly the computerisation of local office work and the relocation project) mean that the content of jobs in local offices is under review. Second, because it is envisaged that the Benefits Agency will have delegated authority to recruit its own staff, either directly or by asking the Commission or another agency to recruit staff on its behalf. The Department does not want to pre-empt decisions the Agency might make.

Further action

9.6 The work of setting up the Benefits Agency involves considering the arrangements the Agency should have for the recruitment of staff. The intention is to give the Agency as much scope as possible to develop its own recruitment policies, including delegated authority to recruit staff at all levels (although appointments at grade 7 or above would need to be in consultation with the Civil Service Commission).

Value for money

9.7 The new recruitment literature will cost about £15,000 to produce and should provide the means for local manages to attract the staff they need to local office work in a competitive labour market. The current cost of keeping in touch with staff who have left is estimated at £30,000 nationally.

9.8 The additional costs of these measures are negligible, but the benefits to the Social Security organisation should be substantial. More effective recruitment of staff, and attracting staff already trained back to local office work will represent more efficient and effective use of resources already deployed on recruitment and training. These benefits have yet to be realised and the importance of monitoring them is fully accepted.

Retention

9.9 The report made a number of specific recommendations concerned with making staff feel that they are regarded as important and rewarded when they do good work.

Action taken and results achieved

9.10 The report's conclusion that more effective ways must be found of communicating with all staff has been fully accepted. As a first step electronic mail was introduced on a national basis from May 1989 to speed up communications between headquarters and regional and local offices. To enable a wide ranging look to be taken at the way the organisation communicates with staff, a working group involving managers of seven linked offices was set up to study the present information and communications systems and make recommendations. The study included interviews with staff of all grades to establish their views on and experience of the current arrangements.

9.11 Two new developments increase the scope for recognising good performance. Flexible pay agreements will cover all staff from April 1990 (except support grades who are expected to be included soon). These new arrangements allow for accelerated increments and extra pay points (once the maximum of the scale has been reached) for good performance, and for the withholding or withdrawing of increments for poor performance. Good or poor performance is defined nationally in relation to the performance marking achieved by staff in their annual performance appraisal report. A special bonus scheme, covering all staff, has already been introduced and allows individuals or groups to receive bonus payments of £100 to £1,000 for outstanding one-off achievements at the discretion of line management within general guidelines drawn up centrally. The scheme is cash limited and within current manpower costs.

9.12 So far as local pay additions (LPAs) are concerned a review of the scheme was completed at the end of September 1989, and in the light of new Treasury guidelines for increasing their amount and scope, recommended a further widening of the scheme. Monitoring of the scheme is being undertaken by way of examination of retention and recruitment levels and a sophisticated computer model. Results of the monitoring so far show that local pay additions are having a statistically viable and positive effect on resignation rates. It is estimated that 200 staff have stayed with the organisation - who would othewise have been expected to resign.

Further action

9.13 The report of the communications working group has been approved by senior management and the report's recommendations are being taken forward as part of an overall review of communications strategy. The scope and nature of flexible pay arrangements and the special bonus scheme will need to be given further consideration as part of the steps to set up the Benefits Agency.

Value for money

9.14 The costs of the communications study were £30,000. Costs of implementing its recommendations will need to be considered alongside the expected benefits of improved communications. In general, the outcome is likely to be more effective use of resources already used on communications between management and staff - with consequent improvements in morale and motivation. Consideration will need to be given to show the effectiveness of changes proposed will be assessed.

9.15 The flexible pay and special bonus schemes are expected to produce savings and benefits due to:-

- reduced costs in recruiting and training as the levels of staff retention increase;

- improved motivation, morale and hence output of staff rewarded and therefore a more efficient and effective service.

10. IMAGE (recommendations 24 and 25)

10.1 The scrutiny report regarded a corporate image as a way of consolidating a common sense of purpose and morale. For social security the emphasis needs to be on those qualities which were identified as essential elements of a good service by the Secretary of State - efficiency, responsiveness, and fairness.

Action taken and results achieved

10.2 Design consultants were commissioned at the end of June 1989 to design a corporate image for local social security offices in order to fulfil the clear need to project a positive image at service delivery level. The intention is to provide an environment that gives a clear message to staff and customers alike that the organisation is efficient and professional but also courteous and friendly. The consultants were asked to take account of the range of locations and client groups covered by the organisation and to produce a flexible package of design options which could be implemented either in part or in total as available resources and circumstances permit. The consultants have completed their research and fieldwork in local offices and have produced preliminary design proposals which have been presented to the Social Security Management Board and Ministers, and approved for pilot testing.

Further action

10.3 The corporate image will now be piloted in two local offices, Leicester (Yeoman Street) and Ealing by the end of 1990. Ealing is one of the London offices involved in the relocation of work so the design will be tested in a conventional office and one which is substantially changing to a new role. Following an evaluation of the pilots the consultants will produce guidance which details the designs and materials suitable for the whole range of structures and environments present within the local office network, which will be incorporated into the Local Office Design Guide. The new corporate image will then be implemented throughout the local office network over a period years as and when funds become available for renovations and refurbishments. To assist this process it is intended that central call off contracts for the purchase of specific materials and items will be negotiated and made available to managers.

Value for money

10.4 Full development costs for creating a coherent, positive image for social security cannot yet be estimated. The costs of the design consultancy work will be met from the existing consultancy budget. Some further costs are likely to be incurred on producing design packages for managers and material for use in local offices. Expenditure on implementation of the corporate image will be met from within the resources available for redecoration and refurbishment representing a more effective use of those resources.

10.5 The benefits of an improved image for social security will be substantial in qualitative central terms. The image projected by the organisation in the 1990s will be crucial to the way that customers and staff perceive social security - and to whether it does succeed in recruiting and retaining staff and providing a good service. The service needs to be seen to present itself as caring and professional. Evaluation of the practical effect of the new measures is planned in the pilot offices which will identify the benefits in terms of public and staff reactions.

010

Prime Minister
To note. I will see if (a) can be worked in a Question for Question Time.
AT 4/5

THE DEPARTMENT OF TRANSPORT

SECRETARY OF STATE FOR TRANSPORT

FROM THE SECRETARY OF STATE

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

Andrew Turnbull Esq
Principal Private Secretary
10 Downing Street
LONDON
SW1A 2AA

My Ref:

Your Ref:

-3 MAY 1990

Dear Andrew,

DTp VALUE FOR MONEY

My Secretary of State has asked me to let you have fuller answers on two points which the Prime Minister raised at yesterday's VFM presentation.

(a) **Vehicle Inspectorate Executive Agency incentive bonus**

This is to be paid on performance in the financial year just ended. Most staff will receive bonuses in the region of £400 (there are separate schemes for the Chief Executive and his senior managers). Clearly bonuses cannot be paid until we are reasonably confident of the figure and there is no serious risk of over-payment (for this reason the Treasury opposed in-year payments). But the aim is to pay them as soon as the new management accounts have been checked and audited, within the next two months. VI's Chief Executive proposes to review this before next year, to see whether, for example, it would be worth incurring a small extra administrative cost to pay the bonuses in two tranches, half straight away and the other half as a final payment later.

(b) **Road Programme unit costs**

The Prime Minister drew attention to the apparent lack of sustained reduction in unit costs for road scheme preparation.

The efficiency indicators for road scheme preparation show substantial productivity gains over and above the 1½% pa Treasury efficiency requirement. I attach a new version of this slide. This shows over the four years 1987-88 to 1990-91 that we should have made a reduction in our unit costs from £1.10 to £1.05 per £100 PROGress to fulfil the 1½% pa target.

This has been substantially exceeded and our target for 1990-91 is to achieve 0.85p/£100 PROGress, a 22% reduction in four years, and a 7% reduction in the final year.

The rise in unit cost in 1988-89 relates to the last quarter of 1988-89 when a few major schemes slipped, with recovery taking place in first quarter 1989-90, thus giving us a flying start for that year. The dotted yellow line corrects for this slippage.

I am copying this letter to the private secretaries to Sir Robin Butler and Sir Angus Fraser.

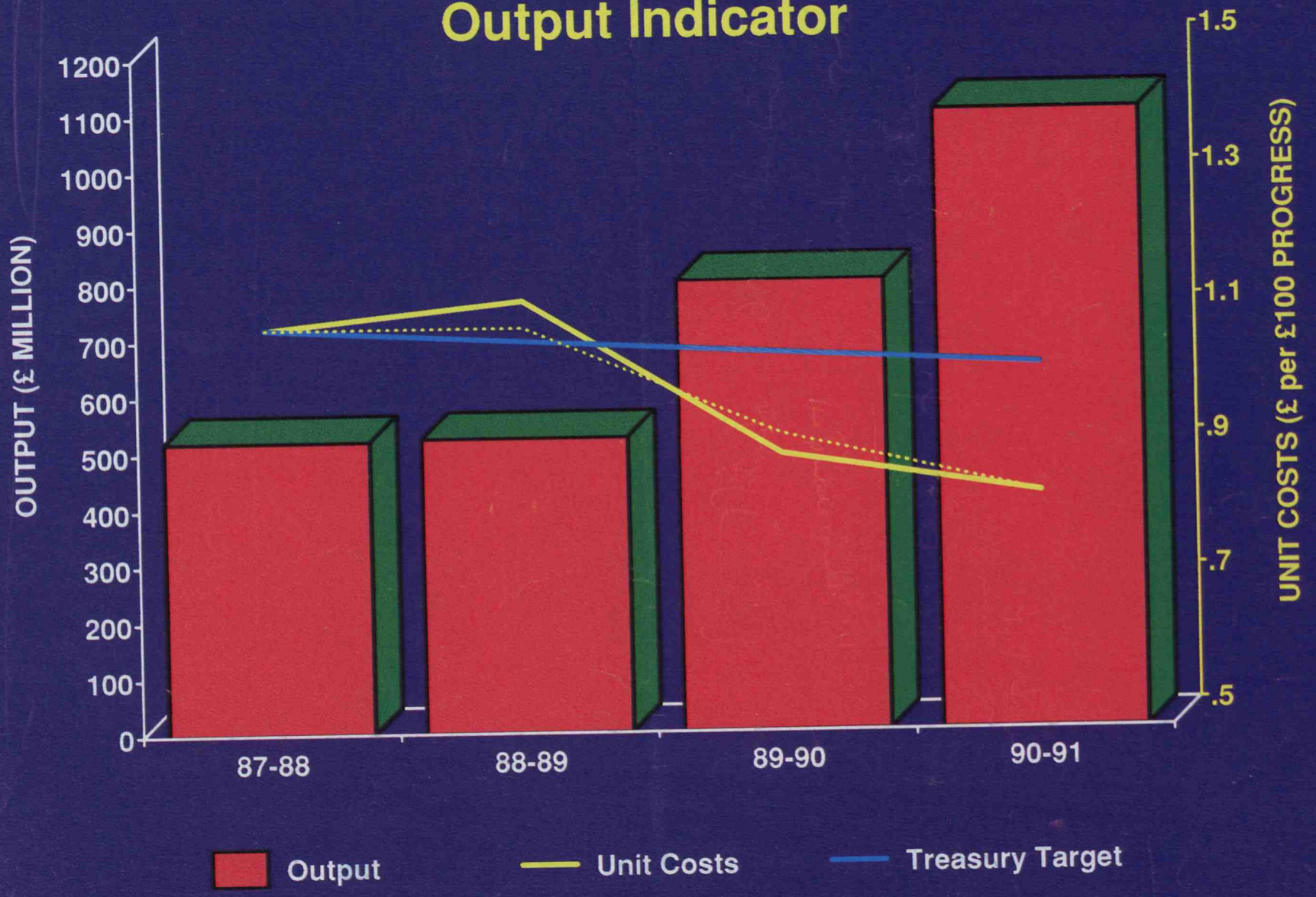
Yours sincerely

Simon Whiteley

S C WHITELEY
Private Secretary

VALUE ADDED

Road Scheme Preparation Output Indicator



Ponsk PQ

VEHICLE INSPECTORATE

Q. IS THE PRIME MINISTER AWARE THAT THE VEHICLE INSPECTRATE, WHICH WAS TURNED INTO AN AGENCY IN 1988 HAS NOT ONLY MET ITS EFFICIENCY TARGETS BUT HAS EXCEEDED THE. IS THIS NOT EVIDENCE THAT THE GOVERNMENT'S EFFORTS TO IMPROVE THE CIVIL SERVICE ARE BEARING FRUIT.

A. YES, BY EXCEEDING THEIR EFFICIENCY TARGETS THE STAFF OF THE VEHICLE INSPECTORATE HAS EARNED THEMSELVES A PERFORMANCE BONUS THIS SHOWS THAT THE NEW AGENCIES CAN BENEFIT TAXPAYER, CUSTOMER AND STAFF ALIKE.

FROM: JONATHAN LAWSON
DATE: 3 MAY 1990

SIR ROBIN BUTLER

cc Mr Kemp
Mr Holroyd
Miss Munday
Mr Reardon
(DSS Press Office)
Mr Ingham

NEXT STEPS: BENEFITS AGENCY

You should know that the Economist is likely to carry an article this week (or possibly next) about the competition and selection of the chief executive of the prospective Benefits Agency. The journalist concerned, Donald Hirsch, appears to know who the successful candidate was and may be expected to name him or her.

Hirsch, who wrote the rather good piece on Next Steps published in the Economist just before the big April 2 launch, came in to see Peter Kemp yesterday about "one or two things he had been told about the Benefits Agency competition" which cast doubts on the Next Steps policy.

What this amounted to was an interpretation of the wording of the advert for the chief executive post which implied the post holder would not have direct access to the Secretary of State, a suggestion that the sift and subsequent board was not conducted under Civil Service Commission rules and a Commissioner was not part of the interview panel, and various other claims that Civil Service "politics" was impeding the appointment of the best man for the job. This led on to questioning whether the chief executive competitions were genuinely open and the level of interest and involvement of Ministers in setting targets for the Agencies and monitoring performance.

Mr Kemp, naturally, declined to get embroiled in discussing gossip or in commenting about internal matters at DSS. But he made it very clear to Donald Hirsch that the competition for the Benefits Agency job was genuinely open - even to the extent of not setting a salary level in the advert; that it was carried out under Commission rules, as were all the Agency open competitions, and that the 1st Commissioner, John Holroyd, was a member of the Board; that there was every reason, therefore, to conclude, the best person for the job had been selected; that there was no hidden significance in the wording of the advert affecting the Chief Executive's relationship with the Secretary of State; and that it was hardly surprising that candidates with considerable public sector experience were getting the chief executive posts in view of the nature of the job, particularly in the early years of setting the Agency up.

Mr Kemp emphasised that the Framework Documents for all the Agencies reflect the basis thrust of the Prime Minister's original intention that Ministers should delegate day to day responsibility for the Agencies to the chief executives who are, in turn, directly accountable to Ministers. Permanent Secretaries, of course, remain Ministers' principal advisers on all aspects of the department's activities. He used the Employment Service Framework Document to illustrate these intra-departmental relationships.

Mr Hirsch was left in no doubt of the commitment of Government Ministers to Next Steps and the determination of OMCS to ensure the initiative progresses satisfactorily. He also realised he had been fed with very dubious information. Whether this will persuade him to drop his story altogether, I doubt, but he will certainly have to question his earlier conclusions.

Jonathan Lawson

JONATHAN LAWSON
Head of Information
Room: 59/G
Ext: 6370

MR A TURNBULL
No 10

COMMENTS ON DRAFT LETTER OF 2 MAY 1990

Page 1 Subparagraph iv - ambiguous should be ambitious.

Page 2 in points arising from discussion there is one point which was covered when Andrew was with the Prime Minister and out of the seminar room. This was "In the discussion of the continuing project cost overruns (of about 15%) it was suggested that the Department needed to improve its capacity for providing strong project management." This might become a new point (iii).

Page 4 amend penultimate sentence of first subparagraph to read " It was agreed that the relationship between headquarters staff in a department and the management of its agencies could be a promising area for an Efficiency Scrutiny".

D BRERETON
3 May 1990

CONFIDENTIAL

FILE KK

MEETING RECORD
SUBJECT cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

2 May 1990

From the Principal Private Secretary

Dear Simon,

VALUE FOR MONEY IN THE DEPARTMENT OF TRANSPORT

The Prime Minister held a Value For Money Seminar today with your Secretary of State. Also present were Sir Robin Butler, Sir Alan Bailey, Sir David Holmes, Sir Angus Fraser, Mr. Don Brereton (Efficiency Unit) and Mr. George Guise (No. 10 Policy Unit).

Your Secretary of State made a presentation on the work of the Department, concentrating on the agencies, which account for the bulk of the staff; and the roads programme which accounts for most of the Department's expenditure. In the course of the presentation the following points were made:

(i) Under the Department's management plan, Ministers were asked to review quarterly progress against the targets set.

(ii) Although the Department was perceived as being dominated by the roads programme, this was misleading. Capital expenditure over the next three years in public transport would exceed that on the roads programme though this, of course, did not appear in the Department's public expenditure totals.

(iii) 58 per cent of the Department's staff were now employed by agencies. The philosophy being adopted was that of a holding company and its subsidiaries. The role of the former was to set expenditure limits and efficiency and financial targets. Within this framework Chief Executives were encouraged to make use of the freedoms available.

(iv) When the VIEA had been set up as a agency in 1988 its target was to reduce real unit costs by 3.7 per cent over two years but it had achieved 6 per cent in the first year alone. This experience had encouraged the Department to set ambitious targets for the subsequent agencies.

(v) Since 1983 the DVLC, which handled 80 million transactions a year, had reduced the time for changing a vehicle licence from 17 days to 7 days, and the time for issuing a driving licence from 15 days to under a week. The reputation of a body which had become a byword for inefficiency had been transformed.

(vi) The Department was anxious to make use of the powers in the Agencies Funds Bill to allow agencies to "trade" in a more commercial way.

HK

(vii) The Department had considered whether to organise work on the roads programme on agency lines but had concluded that such work was not suitable as it was politically very sensitive and required close Ministerial involvement. Nevertheless, efforts were being made to carry out this work in a more businesslike fashion.

(viii) Only three per cent of the cost of a road project was incurred in-house and efforts were being made to reduce this still further. For example, while the roads programme was being doubled, the number of staff handling the programme was being increased by only one-third.

(ix) A major effort was being made to reduce the time taken from inception to completion of a road project. In the mid 1980s this was about 20 years, of which 10 years was taken up with studies and route definition. This time had been reduced to 14 years and the aim was to reduce it still further to under 10 years. It was noted that Scotland already achieved a 10 year period and was hoping to do better. Part of the explanation for this was the absence of a public consultation phase which had been introduced in England in an effort to make the subsequent planning inquiries more manageable. There was a danger, however, that the proliferation of options in the consultation phase could serve to stir up opposition and create more difficulties than it solved.

(x) Having been substantially cut back in 1988-89, the roads maintenance and renovation programme had been restored and the Department was back on track to eliminate the backlog by 1991-92.

In the discussion that followed, the following points were made:

(i) By exceeding its target, the VIEA had not only made savings for the Treasury but had also generated a bonus for its staff of around £500 a year. This was having a noticeable effect on motivation. It was seen as a very good example of the way in which agencies could benefit the taxpayer, customers and staff.

(ii) The Department was urged to continue its search for new agencies; the Roads Research Laboratory and the Coastguard Service were suggested as candidates.

(iii) It was important for the centre of the Department, when it had secured greater freedom from the Treasury, to delegate that freedom to the agencies. It was noted that granting greater responsibility to the agencies had not produced a significant reduction in head office staff. It was a characteristic of most of the large private sector holding companies that their head offices were extremely small. Against this it was argued that the analogy with the private sector was not

exact. As there was no bottom line against which to judge performance it was necessary for staff in headquarters to monitor progress against more complex efficiency targets. The functions of headquarters staff were thus changed but not diminished. Another difference was that agencies, many of which were in a monopoly position, could not generate their own charges, but had to agree these with headquarters. It was agreed that the relationship between headquarters staff in a Department and the management of its agencies could be a promising area for an Efficiency Scrutiny. This could draw on private sector practice as a comparator.

(iv) The Planning Bill envisaged for the next Session would contain clauses increasing compensation for those whose land or houses had to be acquired compulsorily. Department of Transport questioned whether the proposals, which involved increasing the home loss element but not the basic level of compensation, were generous enough to reduce opposition to roads projects. It was recognised, however, that whatever level the compensation was set at there would always be opposition from those who opposed road building in principle. It was agreed that the Department of Transport should discuss this issue further with the Department of the Environment.

(v) Continuing project cost overruns (of about 15 per cent) pointed to a need for improved project management.

Summing up the discussion, the Prime Minister thanked the Secretary of State for a very clear and interesting presentation. The Department should continue its efforts to identify further agencies and to allow the freedoms which it had secured to be delegated to them. She welcomed the setting up of ambitious unit cost targets. Work should continue to reduce the time taken to complete road projects. The way in which the public consultation phase was used needed to be considered carefully if it was not to create more difficulties than it solved. The success of the VIEA and the way in which it had generated a performance bonus for its staff should be publicised further. She asked the Secretary of State to provide further details of this case. The record on transport generally was also a creditable one and she asked for consideration to be given to ways of publicising it.

I am copying this letter to Carys Evans (Chief Secretary's Office) together with a copy of the slides shown, to Sir Robin Butler, Sir Angus Fraser and George Guise. I am also copying it to Phillip Ward (Department of the Environment) for him to note the discussion on compensation in planning cases.

Yours sincerely
Andrew Turnbull

(ANDREW TURNBULL)

Simon Whiteley, Esq.,
Department of Transport.

ANDREW TURNBULL **1 May 1990**

VALUE FOR MONEY SEMINAR - D/Tp

Parkinson's slide presentation will make the following points:

1. GENERAL TRANSPORT PROVISION

Over the past decade (1978/88):

- licensed vehicles have risen by 32%;
- licensed drivers by 40%;
- annual train passengers risen by 17.5%;
- ports and harbours now carry 22% more freight;
- air traffic is up 80% (measured by departures/arrivals at major British airports including transits);
- employment in transport has fallen by 11% (mainly BR) while the subsidy to public transport has fallen by 33% again principally BR;
- road casualties, measured by deaths and major injuries, have fallen by 23%.

Investment in public transport has risen in real terms by 38% since 1982 - mainly BR, while road building has doubled since 1987.

2. DEPARTMENT OF TRANSPORT ITSELF

Total employees, including 60% in next steps agencies, have fallen to around 16,000. Of the programme expenditure of £3.6 billion in 1989/90, 41% is to highways, 27% to public transport (mainly BR and LRT) while 18% has gone to support for local authorities. **This is further analysed by Angus Fraser.**

The Department claim the following efficiency improvements in its key agencies:

2.1 - The Driver and Vehicle Licensing Authority (the DVLA at Swansea which is the largest next steps agency) now employs 5,500 and its unit costs have fallen 40% since 1980 while productivity has risen by 50%. The disparity between these figures indicates that there has been some net benefit from computerisation etc. **Ask about waiting time improvements when licenses are processed and vehicles are registered on change of ownership.**

2.2 - Vehicle Inspection Executive Agency (VIEA). This was the first next steps agency set up in 1988 and headquartered in Bristol. It employs some 1600 people and is responsible for heavy goods vehicle testing around the country with depots in key centres. The presentation will show productivity improvements. **Ask why more of this work is not contracted out to competent garages.**

2.3 - The DSA which tests and licenses drivers has plans to reduce the waiting times for tests from 10 weeks currently to 6 weeks by 1992. **It might be argued that this is still a long time and that a private sector organisation would be more customer orientated.** The fee for taking a driving test is around £15.

3. ROADS

3.1 - Future road capacity has always been underestimated and popular perception is that this is because of a combination of lack of imagination by the DTp and Treasury stringency. **The seminar will point out that planning inquiries have frequently been the cause of inadequate provision.** For example, the M25 inquiry in the late 70s queried any need for a three lane motorway. The present state of the M25 shows the short sightedness of this.

3.2 - The overall costs of the road programme show a falling percentage to be incurred within the Department of Transport. Currently costs are some 3% of total and histograms will be presented showing how this has improved over time. **Ask whether this is mainly a consequence of more consulting engineering work being contracted out.**

3.3 - It will be argued that there is an economic return on every £1 spent on roads as follows. £1 in business savings, a further £1 saving for private motorists and a 50p saving for accident reduction. This is the famous 2.5 times benefit cost ratio which the Treasury quoted in papers for the CLRS presentation. **These figures are worth probing. The seminar will define a new output measure which has recently been defined in order to show the output value of new roads compared with the inhouse costs expended. The instinct to have such a measure is good which makes it most important to query the basis on which it has been defined.**

3.4 - Renewal of motorways and trunk roads shows a marked increase and a new motorway has a 40 year life which is twice as long as a decade ago. I found this figure surprising in view of popular complaint about early cracking and other degradation on newly constructed motorways.

3.5 - The time taken to build a road is falling markedly. In 1984/85 the total time from initial feasibility to the end of construction was 20 years of which only 2 years was spent on actual construction. By 1988/89 this had fallen to 13 years, again with 2 years of actual construction. The Department now have a target for 10 years from start to finish.

The reason for the long lead time is the elaborate proof of concept studies prior to public consultation. This typically took 10 years whereas the target is now only 2.5 years. **Surprisingly, the public inquiry period is not generally the major hold up in building a road.** Nevertheless, public inquiry periods are falling and the Department anticipate an average reduction from 5 to 3 years.

COMMENT

1. The Department is overwhelmingly roads orientated. As Fraser points out over 90% of direct expenditure and almost half its staff is someway connected with roads and their uses.

2. If this strategy is accepted, the specific performance of the Department has been good. I was particularly alert as to whether nominal staff savings had been squirreled away in next steps agencies but was assured that quoted departmental numbers include these. The Department's performance in carrying out its perceived objectives is strong and I found it to be robust under fairly probing questions.

3. The extent to which the Department is concentrating on the right areas is less self evident. As we saw at the CLRS seminar there is a strong presumption in favour of roads. The PM herself made the point that a lot of the road money, particularly in the provinces, could be better spent on improved rail links to and within London.

4. The VFM seminar says little about **air or sea** although there is much external criticism of restrictive practices at our airports. For instance, American Airlines, who could also be charged with monopoly practice at Dallas, complain of the way our Department of Transport, British Airways and BAA somehow contrive to cut them out.

5. The expansion of air travel is also being hampered by awkward local authorities. For instance, the new London City airport is in dire straights partly because of the lack of real enthusiasm from LDDC.

6. Another public transport area which is not even mentioned is **buses** which in London are still tightly regulated. Indeed, this week E(CP) reluctantly decided that deregulation, a necessary precursor to privatisation, should be postponed until the next Parliament.

7. The PM might therefore spend time on whether the Department is taking its remit broadly enough in focussing so tightly on roads.

RECOMMENDATIONS

1. The Department's presentation is good with strong evidence of efficiencies in road-related activity.

2. Do not waste much time arguing the numbers but it would be helpful to get them to expand on the new output measure which they use to define the Department's enhanced efficiency on the road programme.

3. Broaden the discussion to what is happening about public transport generally, particularly in London and ask why bus deregulation has again to be put back.

4. Ask about the commitment of Docklands to matters like the Jubilee Line the Limehouse link and the enhancement of the Docklands light railway.

5. Show concern about the fate of the London City Airport now that Mowlem have taken a £13 million writedown in their latest accounts. It will be a black mark if this airport fails through lack of enthusiasm from the Department in prodding LDDC.

6. If time permits encourage some discussion of slots at London airports. There has recently been a strong attack on our "restrictive practices" by the Chairman of American Airlines, Robert Crandall. The Department's preferred position, is to hide behind the European position and assume that progress can only be made with Brussels in the lead. This may be true but the matter is current and a DTp seminar should have it aired.

GEORGE GUISE

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01 - 210 3000
From the Secretary of State for Social Security

Prime Minister 2
BHP
2/5

The Rt Hon Michael Howard QC MP
Secretary of State for Employment
Department of Employment
Caxton House
Tothill Street
London

30th April 1990

Dear Michael,

EFFICIENCY SCRUTINY: INVESTIGATION OF SOCIAL SECURITY FRAUD

Thank you for your letter of ~~12~~ 17th April.

I welcome your agreement to my proposal to accept the Efficiency Scrutiny's recommendation that my Department's anti-fraud effort should be reorganised into integrated District Fraud Teams. As you suggest, our officials now need to meet urgently and to produce an agreed statement. We need to establish the machinery and guidelines for future operations.

It is clear we both accept that to fulfil our respective responsibilities in the investigation of benefit fraud, we need to draw up a sensible and effective liaison agreement. I understand your concern that the Employment Service should take the lead where specific employers are concerned and where the unemployment register is the primary source of information about possible fraudsters. I think this will be sensible in cases where a number of employees are thought to be involved, or in some cases where both UB and IS are in payment. But we will obviously need to consider also those other individual cases, mainly cases with IS alone in payment, where my Department has the lead responsibility for managing the claim, including the handling of any other DSS benefits in payment, and the investigation of fraud. I look to my officials to clarify these matters with yours in reaching a sensible working arrangement.

E.R.

The Scrutiny Report recommendation about publicity on fraud relating to the unemployed was an extension of the recommendation that a unified fraud force should be established. We are not of course now pursuing that recommendation. However, I agree that publicity is essential to the deterrence of fraud and recognise the impact this can have on reducing the unemployment register. Again, I think this is a matter in which we both have an interest in seeking appropriate publicity and we should look to our officials to draw up guidelines for dealing with joint exercises in a satisfactory way.

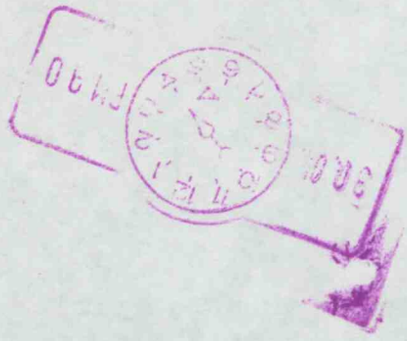
I am confident that with a revised organisation in my Department and closer co-operation between our two fraud organisations, we shall be in a position to provide a more efficient and effective counter to those who seek to defraud and undermine the benefits system.

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

Yours ever.
Tony

TONY NEWTON

GOUT MACH : Rayner PT34



dti

the department for Enterprise

CCPU

n. b. P.M.
BTP
26/4

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
Parliament Street
LONDON
SW1P 3AG

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

Direct line 215 5623
Our ref
Your ref PE3AMA
Date 26 April 1990

Dear Norman

ESTABLISHMENT OF THE RADIOCOMMUNICATIONS DIVISION AS AN EXECUTIVE AGENCY

Thank you for your letter of 6 April.

I have now reviewed the Agency's Corporate Plan, copies of which are being sent to your officials. In addition to the 3 per cent efficiency target for 1990/91 which I have already announced, I am setting the Agency a target to achieve an overall efficiency improvement of at least 2 per cent a year in each of the four years from 1991/92 to 1994/95.

On your procedural point about arrangements for the appointment of the Chief Executive, my officials will be in contact with yours about the implications of the guidance recently circulated by the Treasury on cases such as this.

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

Yours ever

Nicholas

Recycled Paper

GOVT MACH: Kanner pt 34



PRIME MINISTER

DEPARTMENT OF TRANSPORT VALUE FOR MONEY SEMINAR
WEDNESDAY 2 MAY 1990

INTRODUCTION

1. Cecil Parkinson and Sir Alan Bailey will attend. You last held a seminar for the Department of Transport in December 1987. A note of that meeting is attached at Annex A. Transport is a predominantly executive Department offering substantial scope for the application of good business practice. It should, therefore, be expected to be at the forefront of Departments in developing its planning, costing and targeting systems and to be a leader in the application of the Next Steps philosophy. Progress in many areas has been good, though there is no room for complacency. More could be done to set and achieve demanding performance targets and to develop a more progressive approach to management delegation. This seminar gives you the opportunity to hear about DTp's good progress to date and to reinforce the need for yet higher standards in future.

Background

2. DTp employs just over 16,000 people and is responsible for spending of £4.2 billion in 1990/91. National roads and Driver and Vehicle Licensing account for some 90% of direct expenditure by the Department and almost half its staff are directly involved in delivering these services. The Department is also a major influence on local authority road spending. Transport Supplementary Grant (which meets half the cost of major local authority road schemes) is awarded selectively by DTp and applies to a further £460 million of roads spending annually. Public transport grants administered by DTp total over £1.2 billion and the Department has a key shareholder role in determining the level of service and safety to be expected from this investment.

3. A full analysis of spending and allocation of staff is at Annex B.

Handling

4. Mr Parkinson intends to speak for about 30 minutes and will focus on the Department's success in developing executive agencies and on the expanding roads programme. He will highlight the growth in demand for all services provided by DTp and aims to show how the Department is organising itself to cope with its increasing workload.

National Roads

5. Over the next three years spending of some £4 billion is planned on new road construction. Spending in 1990/91 will be £1.3 billion - over twice that in 1987/88. At the same time the Department has

a long-standing objective to reduce the time taken from road scheme conception to completion from a present average of 14 years to a more reasonable 10 (the current average in Scotland where the public consultation stage is, admittedly, simpler). This target ought to be achievable; a quarter of schemes are now completed in 8 years. Performance has improved slightly since 87/88, when targets were first set, but the schemes in hand are still taking an average of over 7 years to settle the choice of preferred route against a target time for this phase of 4 years.

6. To help manage the expanded programme the Highways and Traffic Command has been recently reorganised, separating responsibility for roads construction and roads policy and resulting in the appointment of a Grade 3 Director for Road Programmes specifically responsible for construction work. This is a major organisational improvement. At the operational level, the Command suffers high loss rates and recruitment difficulties in the lower professional grades - particularly in the South-East. This results in extensive use of consultants and calls for special care in monitoring the performance (and therefore value for money) achieved from contractors. Better value for money could probably be obtained if the Department were to undertake a stronger project management role. This would require an increase in professional staff numbers, but costs would be more than offset by savings in consultant engineer's fees. **Issues to raise:**

- Given a high vacancy rate and recruitment difficulties, does the Department have the professional staff it needs to plan and execute the expanded programme? How are additional staff to be recruited and from where?

- The target running cost per £100 of road spending in 1989/90 was £0.91 against a clearly conservative target of £1.25. The target for 1990/91 is £0.88. Isn't this also extremely conservative, particularly given that construction spending will be some 40% higher?

- Project cost overruns are one measure of the Department's performance in managing the relationship with contractors. The target for 1989/90 was to contain these within 14% of contract price. The outturn was 15%. Given industry's much improved ability to complete projects to cost, wouldn't a much lower target now be appropriate?

Executive Agencies

7. DTp now has four agencies, including the first one to be launched, Vehicle Inspectorate. 60% of the Department's staff are now agency employees. The Department has done well in implementing the agency structure, though the full potential for flexible and accountable management offered by Next Steps is, as yet, some way from being achieved. You may wish therefore to explore what additional changes are planned in those agencies already established.

8. In particular, the Department must resist the desire for excessive control from the centre and be prepared to support chief executives seeking major changes even if this leads to a diversity of operational policies and practices within the Department. It is also a consequence of Next Steps that a number of central functions should transfer from

the centre to its agencies. It is not clear in the case of DTp's finance function that this is happening. **Issues to raise:**

- What new flexibilities have been granted to Chief Executives as a result of agency status? How will this improve operational performance?

- Is the opportunity to introduce new and varied terms of employment being used? For example, are new employees still encouraged to join a trade union in their standard letter of appointment?

- Are the Finance and Establishments functions at the centre shrinking as responsibilities transfer to agencies?

General

9. Costs and outputs in the major executive areas of the Department are well-understood and modest targets for improvement are in place. But excluding Highways activities and Driver and Vehicle Licensing, annual running costs for other parts of the Department represent a significant £129 million or 40% of the total. Experience elsewhere has shown that these areas can offer significant opportunities for savings. DTp's quantitative performance measurement in these areas is relatively weak and there is scope for improvement. **Issues to raise:**

- How does the Department measure value for money from its central services?

- What is it doing to improve their efficiency?

Scrutinies

10. A scrutiny of Vehicle Excise Duty Enforcement has just been completed. It showed that in a large number of cases current legislation makes prosecution of non-payers difficult. The report advocates the introduction of a fixed penalty system similar to that used for parking offences as a means of reducing the cost of enforcement and improving compliance. The improved system offers road safety improvements too, since VED evaders are frequently committing other road traffic offences such as driving whilst uninsured or driving without a valid Test Certificate. Change would free valuable court time currently consumed by these routine cases though it could result in extra work for fine enforcement officers if significant numbers of fixed penalty notices were unpaid.

11. Legislation will be required to implement the scrutiny which will not be immediately supported by the Home Office who are concerned at the extra workload implications for court fine enforcement officers. Taken across Departments, however, the proposals represent good value for money and the necessary legislation deserves support.

12. No subjects have yet been agreed for scrutiny this year though I shall be pressing DTp to look either at the way it project manages national roads construction or at the nature of the relationship between DTp and its executive agencies. These are both important,

topical and changing areas of the Department where an independent analysis could add value.

Conclusion

13. To summarise, DTp has made good progress in developing its planning and targeting systems and has been quick to grasp the organisational opportunities presented by Next Steps agencies. It would be most helpful if in the course of the seminar you could emphasise:

- That creating agencies is a starting point for management change and that agency Chief Executives must be given the flexibility to run their organisations effectively;

- that targets must be specific and stretching but attainable;

- that central services should not be forgotten in seeking better value for money. Careful performance measurement and targeting in this area may result in savings and reduce organisational complexity.

ANGUS FRASER
April 25, 1990

DEPARTMENT OF TRANSPORT VALUE FOR MONEY SEMINAR:
SUMMARY OF ISSUES TO RAISE

National Roads

- Given a high vacancy rate and recruitment difficulties, does the Department have the professional staff it needs to plan and execute the expanded programme? How are additional staff to be recruited and from where?

- The target running cost per £100 of road spending in 1989/90 was £0.91 against a clearly conservative target of £1.25. The target for 1990/91 is £0.88. Isn't this also extremely conservative, particularly given that construction spending will be some 40% higher?

- Project cost overruns are one measure of the Department's performance in managing the relationship with contractors. The target for 1989/90 was to contain these within 14% of contract price. The outturn was 15%. Given industry's much improved ability to complete projects to cost, wouldn't a much lower target now be appropriate?

Next Steps Agencies

- What new flexibilities have been granted to Chief Executives as a result of agency status? How will this improve operational performance?

- Is the opportunity to introduce new and varied terms of employment being used? For example, are new employees still encouraged to join a trade union in their standard letter of appointment?

- Are the Finance and Establishments functions at the centre shrinking as responsibilities transfer to agencies?

Central Services

- How does the Department measure value for money in from its central services?

- What is it doing to improve their efficiency?

ANNEX A

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

10 December 1987

Dear Roy,

VALUE FOR MONEY IN THE DEPARTMENT OF TRANSPORT

The Prime Minister held a Value for Money Seminar yesterday with your Secretary of State. Sir Robert Armstrong, Sir Alan Bailey, Sir Robin Ibbs, Miss Kate Jenkins (Efficiency Unit) and John Wybrew (No.10 Policy Unit) were present.

The Seminar opened with your Secretary of State giving a presentation on the initiatives taken to secure value for money in the Department's expenditure. (Copies of the material shown at the presentation are attached.) He emphasised in particular lane rental schemes, arrangements for maintenance contracts, fee competition, and own period tendering, all of which had produced useful savings. The Department had plans to extend these techniques further. They were endeavouring, with success, to improve the quality of the products of their expenditure; for example, recent developments in road construction techniques had doubled road life. For their fee earning businesses, the Department had improved management, established management boards, introduced annual business plans, unit cost targets, net cost control and defined required levels of service. These efforts had produced valuable results; at the DVLD, posts had been reduced by 20 per cent while workload had increased by 40 per cent with a 4 per cent productivity increase and overall unit costs down. The Department welcomed the agency approach suggested in Sir Robin Ibbs' report "The Next Steps" which could be extended to the DVLD and the Vehicle Inspectorate.

The following points were then made in discussion:

(i) The Department had made strenuous efforts to reduce the backlog of motorway maintenance. Faster progress was inhibited, in part, by the certainty of an adverse reaction from motorists if more motorways were closed for repairs. The Department recognised the importance of using foreign research in maintaining and building roads rather than duplicating the research here. There was a case, on safety grounds, for spending more money on motorway lighting and maximising the width of central reservations. But the Department's research suggested that there were more cost effective ways of saving road users' lives, for example by local road

schemes. Our safety record was one of the best in Europe, though there was particular room for improvement in protecting cyclists and young people.

(ii) Despite the Department's urging to the contrary, local authorities did not spend enough of their RSG allocation on road maintenance, preferring to switch this expenditure to other purposes. There was a case for abstracting the road maintenance allocation from the RSG into a special grant. The forthcoming Scrutiny on local authority maintenance would provide an important opportunity for checking that proper value for money was being secured from this expenditure.

(iii) Planning laws and practices considerably increased the time taken to build and improve roads. Much as the Department of Transport wished to reduce the planning delays, there were many pressures the other way to give objectors more time. As a quid pro quo for reducing planning delays, it might be necessary to increase compensation to market value plus a third, and to extend the area of blight.

(iv) There were possibilities for further reducing DVLD staff, perhaps by putting computerised terminals into post offices. But this would effectively tie the department to post office counters, and make it impossible for them to use banks and building societies. A constraint on using outlets other than post offices for motor licencing was the powerful sub-postmaster lobby.

Summing up the discussion the Prime Minister said that the Department were clearly achieving better value for money from their expenditure and she congratulated the Secretary of State on what had been achieved. The forthcoming Scrutiny of local authority road maintenance expenditure was very important. The Efficiency Unit should report to her, in due course, its outcome and the agreed follow up action. The Department should consider, in consultation with the Department of the Environment, what might be done to reduce planning delays on road projects and to let her have, with the DOE, a joint report.

I am copying this leter to Jill Rutter (Chief Secretary's Office), Sir Robert Armstrong, Sir Robin Ibbs and John Wybrew. I am also copying it to Robin Young (Department of the Environment, for his department's interest in planning and local authority expenditure matters.

Yours sincerely

Nigel Wicks

(N. L. WICKS)

Roy Griffins, Esq.,
Department of Transport.

ANNEX B

DEPARTMENT OF TRANSPORT

EXPENDITURE 1990/91

(£ millions)

Direct Spending by DTp			
Comprising:	National Roads	1,817	
	Driver and Vehicle Licensing	128	
	Shipping Services	67	
	Research and Development	26	
	Roads and Central Administration	121	
	Other areas under £15m each	61	
		2,220	2,220
DTp Approved spending by Local Authorities			
Comprising:	Roads (Transport Grants)	234	
	Public Transport Grants	29	
	Other	13	
		276	
	Credit approvals	486	
		762	762
Public Corporations			
Comprising:	British Rail	737	
	CAA	63	
	LRT	448	
		1,248	1,248
Total	**Department of Transport**		4,230

MANPOWER PLAN 1990/91

Driver and Vehicle Licensing	5,687
Highways and Traffic	2,233
Central Department	4,308
Driver Testing and Training	2,031
Vehicle Inspectorate	1,674
Vehicle Components Testing	72
	16,005

FILE KK

CIPPS/Vaughan

10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

MR. VAUGHAN
CABINET OFFICE

NEXT STEPS: MANAGEMENT MATTERS
PREFACE FOR THE PRIME MINISTER TO SIGN

The Prime Minister has agreed that a preface signed by her should be published in Management Matters. She was content with the text you submitted originally and I am sure she would be content with the small amendment you have proposed.

I attach a signed photo which should provide you with both the picture and the signature you are looking for. Please let me know if you run into any difficulties.

ANDREW TURNBULL
24 April 1990

VK37. MIN

FROM: J VAUGHAN
DATE: 24 APRIL 1990
EXT : 5959

MR TURNBULL

cc Mr Kemp o/r

NEXT STEPS - MANAGEMENT MATTERS - PREFACE FOR THE PRIME MINISTER TO SIGN

1. We spoke yesterday about the Preface to Management matters which the Prime Minister is to sign. You said that in addition to a specimen signature you hoped to find a suitable photograph which would allow a similar format to Sir Robin Butler's editorial in edition No. 1, a format which was used in subsequent editorials.

2. Meanwhile I agreed to let you have a copy of the text showing in manuscript the small drafting amendment in paragraph 3 which Mr Kemp felt on reflection was desirable. The first sentence of the paragraph as it currently stands reads "setting up Agencies has never been an end it itself". It is important that we do not give people out there the impression that there is some other way of achieving these results apart from setting up Agencies. The Prime Minister's statement of February 1988 made it perfectly clear that for the executive functions of Government the setting up of the Agencies was the route to be adopted, and it was implicit that the benefits were to be expected from that (and not from anything else). It would help us if the first sentence of the third paragraph could therefore read as amended ie "But setting up Agencies is only the start".

J VAUGHAN
Next Steps Project Team

PREFACE TO MANAGEMENT MATTERS ISSUE 5

DRAFT FOR THE PRIME MINISTER TO SIGN

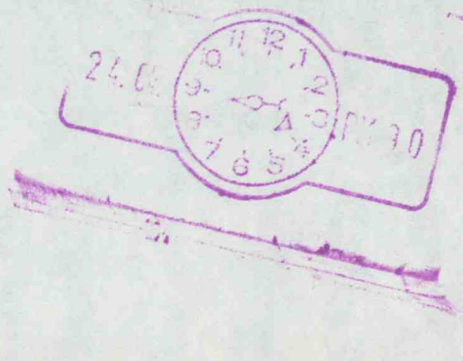
One of my lesser known, but important, roles is Minister for the Civil Service. Government carries out an immense variety of tasks and touches most aspects of our national life. A lot has been done in the last 10 years to streamline its operations and make it more effective, and this will continue. But now there is the renewed challenge of improving the quality of the services delivered for the benefit of taxpayers, customers and staff. One of the great tasks we face for the 1990s is to improve our public services and make them more responsive to people's needs. Next Steps, which I launched two years ago, puts this at the top of the agenda.

18 new Agencies were set up in April bringing the total to 30 employing over 66,000 people. Each Agency has been specially tailored to the job it has to do and the service it is there to provide. Next Steps will cover at least half the Civil Service by the end of next year, with more to come after that.

But setting up Agencies ~~has never been an end in itself~~ is only the start. What matters is what is delivered. I was able to see for myself what is being achieved by the people at Companies House. This issue of Management Matters tells more stories of how improved management in Agencies is working through into better and more imaginative services. It shows what can be done when managers are given increased personal responsibility, and the freedoms and incentives to do the job better.

Next Steps sets the direction for the Civil Service of the future. The test will be improved results and better service. I am sure this is what we will see.

[M T]



CONFIDENTIAL

(JG) MH-TN

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

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

Secretary of State

The Rt Hon Tony Newton OBE MP
Secretary of State for
Social Security
Richmond House
79 Whitehall
London
SW1A 2NS

12 April 1990

Dear Tony

EFFICIENCY SCRUTINY: INVESTIGATION OF SOCIAL SECURITY FRAUD

Thank you for your letters of 5 and 30 March on this subject.

I am sure we are agreed about the Government's overall objectives for the prevention of benefit abuse, and about the need to ensure that our Departments discharge their respective responsibilities as efficiently as possible.

I am therefore disappointed that you feel unable to agree with my proposal that the Employment Service should be responsible for all cases where people are working and signing as unemployed. While issues other than availability for employment or undisclosed working may on occasion arise in relation to Income Support claimants, I believe that the Employment Service is best placed to detect and investigate these promptly because of its regular contacts with the unemployed and its knowledge of the labour market. Indeed I see tackling fraud among the unemployed as a natural extension of the ES enforcement of the Stricter Benefit Regime, through which the Employment Service seeks to ensure that benefits are paid only to those who are genuinely unemployed and satisfy the statutory conditions.

CONFIDENTIAL

Secretary of State
for Employment

I also think it would be preferable to build on the successful arrangements for detecting fraud, which the ES has been operating for a number of years and which you are now proposing to adopt. In my view this would be a more effective way of ensuring the continued detection of working and signing fraud than setting up a parallel operation with overlapping responsibilities.

I recognise, however, that these arguments have not so far carried the day with you or Sir Angus Fraser and I do not want to hold up unduly progress on the issue of future fraud investigation organisation. If therefore you are not willing to agree to my proposal, I agree that our officials should examine the merits of a clarification of the existing demarcation and better inter-Departmental planning and liaison machinery. If you are to go ahead with your proposals we must certainly aim for sensible working arrangements which reduce the scope for overlap. I believe this means making the most of each Department's contacts and expertise. I see no reason why joint operations should not be planned and mounted where appropriate.

In setting up sensible working arrangements there are two particular points to which I attach importance. First, as you will know, the Employment Service fraud investigators have been directed to make particular efforts to tackle deliberate and systematic fraud among those working in the "hidden economy", including cases where employers collude in this. I am strongly of the view therefore that in any guidelines establishing responsibility on the ground, exercises concerned with uncovering fraud associated with work for particular employers should be regarded as the function of the Employment Service. It seems logical also that investigators operating from the unemployment register at particular offices should also fall to the Employment Service.

Secondly, the Scrutiny Report recommended that the Employment Service should retain overall responsibility for publicity on fraud relating to the unemployed. I hope we can agree that this particular recommendation is accepted. Publicity is essential to the deterrence of fraud. It may in particular make those who are working think twice about signing on or continuing to sign, and thereby contribute to reducing unemployment.

To conclude, while I remain convinced that my proposal would have brought substantial advantages in terms of a cost-effective operation in tune with the general stewardship of the unemployment register, I must accept that you see difficulty in

Secretary of State
for Employment

this and are confident about the efficiency gains in your Department's proposed reorganisation. I suggest that our officials proceed rapidly to produce an agreed statement to cover the issue of the report, and to establish the machinery and working guidelines for future operations. As part of this, they should establish monitoring procedures to assure us of the effectiveness of our fraud investigations.

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

Yours ever

Michael

MICHAEL HOWARD

GOUT MACH : Rauner PT34.

cst.ps/drf/4nl2.4

MANAGEMENT AND SENIOR STAFF IN CONFIDENCE

A.b p.m.
BTP
6/4

Treasury Chambers, Parliament Street SW1P 3AG

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

6 April 1990

Dep PM 33

Dear Nick

ESTABLISHMENT OF THE RADIOCOMMUNICATIONS DIVISION AS AN EXECUTIVE AGENCY

Thank you for copying to me your letter of 29 March to Richard Luce about Agency status for the Radiocommunications Division. There are just one or two points I would like to make.

2. I note that the efficiency target you announced only covers the one year, 1990-91. I also note that once this year's Corporate Plan has been reviewed, you will be announcing an overall efficiency target for the forward years. I would expect this to be as rigorous as the target announced for 1990-91.

3. I regret that you were not able to take on board the point about adapting pay arrangements to meet the Agency's needs. However I welcome your assurances that the present wording is sufficient for the Agency's management's needs, at least until it is time for the Framework Document to be reviewed.

4. I understand that the arrangements for appointing the Chief Executive did not give Treasury officials the normal opportunity to comment on his suitability as a potential Agency Accounting Officer; but I would be grateful if the remaining formalities on this appointment could be pursued urgently.

5. I am copying this letter to the Prime Minister, Richard Luce and Sir Robin Butler and Peter Kemp.

Yours

NORMAN LAMONT



06.04 AM 90

Gov MACM
Rayner Pt 34

MANAGEMENT AND COMMERCIAL IN CONFIDENCE

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 April 1990

CIVIL SERVICE CATERING ORGANISATION: FUTURE OPTIONS

The Prime Minister has seen your Minister's letter and attached draft PQ and Answer on the future of the Civil Service Catering Organisation (CISCO).

The Prime Minister would favour a more balanced reply reflecting more closely the line set out in your Minister's covering letter. The present draft reply is concerned almost wholly with privatisation. The reply needs to be redrafted to give appropriate weight to the alternative course of action, should privatisation turn out to be either not feasible or desirable - that is whether CISCO should be maintained in the form of a Next Steps Agency.

I am copying this letter to John Gieve (H M Treasury) and Sonia Phippard (Cabinet Office).

BARRY H. POTTER

Steven Flanagan, Esq.,
Economic Secretary's Office,
H M Treasury

MANAGEMENT AND COMMERCIAL IN CONFIDENCE

CCPU.

ECONOMIC SECRETARY TO THE TREASURY

Prime Minister

Sir Robin B. has suggested amendments to the draft P.Q. answer. The present draft centres on privatisation, without mention of the Next Steps agency option. Yet the letter makes clear that could be an alternative approach (para 4.)

Are you content with the draft P.Q. as amended by Sir Robin?

BHP
3/4

To put in the Next Steps agency in that position does not make a balanced reply. - Both paras (1) + (2) are really concerned with privatisation. If the two are really alternative courses of action the reply needs redrafting. MT

PRIME MINISTER

CIVIL SERVICE CATERING ORGANISATION: FUTURE OPTIONS

The Treasury has been examining the executive work services for which it is responsible to identify suitable candidates for Agency status, and has looked first of course at the options of abolition or privatisation. Among the areas we have looked at is the Civil Service Catering Organisation (CISCO), and this minute reports how the Chancellor and I have decided to proceed.

2. CISCO is a discrete organisation within the Treasury. Its main business is running directly, or managing, staff restaurants in Government Departments with the general aim of providing efficient and competitive catering services and to break even doing so. Its gross budget for 1989-90 is some £18.3 million. All its expenditure is offset by receipts from its restaurant customers and client departments.

3. The services CISCO provides its customers and clients are well regarded and it has been successful in introducing improvements across Government catering, of which it has about a 50 per cent market share. The provision of catering in Departments is subject to market testing and competitive tendering. CISCO will find this climate increasingly difficult. It lacks both the freedoms and disciplines of full commercial operation and it has a relatively disadvantageous cost structure compared with its private sector competitors. (Some change is necessary.)

4. CISCO is, of course, a natural candidate for a Next Steps Agency. But, in keeping with our general policy, we first have to consider whether there is a case for privatisation or even abolition. The Chancellor and I have therefore decided that the right first step should be to undertake a study of how CISCO might be placed on a more commercial footing for the future. The study will consider the privatisation option generally, including the viability of a management buy-out. If it turns out that this

approach is not feasible or desirable then we can consider whether CISCO should be retained at the centre of Government in the form of a Next Steps Agency, or whether the delivery of catering services is best devolved fully to departments. Departments have been consulted at Permanent Secretary level and we have received a number of very useful comments which will be fully taken into account in the work programme of the study.

5. My intention is to announce this in the House of Commons on Wednesday 4 April by means of an arranged Parliamentary Question. I attach a copy of what I plan to say.

6. A copy of this minute goes to the Chancellor of the Exchequer and to Sir Robin Butler.

R.A.R.

RICHARD RYDER
2 April 1990

DRAFT ARRANGED PQ

To ask the Chancellor of the Exchequer what plans the Government has for the future of the Civil Service Catering Organisation.

DRAFT REPLY

I have commissioned a study of future options for the Civil Service Catering Organisation (CISCO).

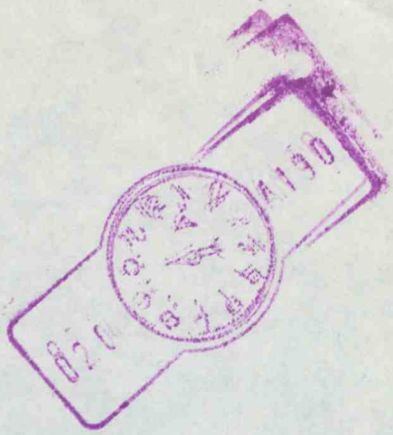
The aim of the study will be to examine how CISCO might be placed on a more commercial footing for the future in an increasingly competitive environment for the provision of staff catering.

The study will centre on possibilities for the transfer of CISCO to the private sector. Operation in the private sector might provide a better basis and greater range of opportunities for building upon the success CISCO has achieved to date. The options will include the possibility of management and employee participation in the privatisation of CISCO's business. The study will also cover the alternative course of retaining CISCO within the Civil Service as a Next Steps Agency. will also be considered

The study will involve discussions with Government department clients of CISCO and consultation with relevant bodies in the catering trade. Consultation will also take place with the Council of Civil Service Unions and the Joint Co-ordinating Committee for Government Industrial Establishments.

A decision will be made later in the year.

GOUTMACH- Rayne Pt 34



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2/4

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Horse Guards Road
London
SW1P 3AL

2nd April 1990

Dear Luce

ESTABLISHMENT OF THE CIVIL SERVICE OCCUPATIONAL HEALTH SERVICE AS AN EXECUTIVE AGENCY

FILE WITH PG

Thank you for your letter of ~~29~~ March.

I share your view that establishing the Occupational Health Service as an Executive Agency will provide a valuable spur to further progressive improvement in the organisation and I am content with your proposals to do so with effect from 2 April 1990.

I am copying this letter to the Prime Minister.

Yours

NORMAN LAMONT

GOUT MACH: Ramm. PT33



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C:/wpdocs/pps/Next (Sally's)

10 DOWNING STREET

LONDON SW1A 2AA

THE PRIME MINISTER

One of my lesser known, but important, roles is Minister for the Civil Service. Government carries out an immense variety of tasks and touches most aspects of our national life. A lot has been done in the last ten years to streamline its operations and make it more effective, and this will continue. But now there is the renewed challenge of improving the quality of the services delivered for the benefit of taxpayers, customers and staff. One of the great tasks we face for the 1990s is to improve our public services and make them more responsive to people's needs. Next Steps, which I launched two years ago, puts this at the top of the agenda.

Eighteen new Agencies were set up in April bringing the total to thirty, employing over 66,000 people. Each Agency has been specially tailored to the job it has to do and the service it is there to provide. Next Steps will cover at least half the Civil Service by the end of next year, with more to come after that.

But setting up Agencies has never been an end in itself. What matters is what is delivered. I was able to see for myself what is being achieved by the people at Companies House. This issue of Management Matters tells more stories of how improved management in Agencies is working through into better and more imaginative services. It shows what can be done when managers are given increased personal responsibility, and the freedoms and incentives to do the job better.

Next Steps sets the direction for the Civil Service of the future. The test will be improved results and better service. I am sure this is what we will see.

April 1990

NEXT STEPS Celebration

MANAGEMENT *Matters*

NO. 5 APRIL 1990



PROJECT MANAGER ON NEXT STEPS

AGENCY SUCCESSES

NEXT STEPS NEWS

AGENCY LAUNCHES

INSIDE COVER

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Photo on front cover:
Nicholas Ridley, Secretary of State for Trade and Industry and members of the Insolvency Service celebrate the launch of their Agency.

Why the celebration?

Note from the Editors

This edition concentrates on Next Steps because April saw major developments in the project with the launch of 18 new Agencies involving many more people. It also saw the announcement that the Government expects to see Next Steps applied to at least half the Civil Service by the end of next year, with more to come after that. Next Steps principles are also going to be applied to all new Non-Departmental Public Bodies and selectively over a period to existing ones.

Next Steps represents a major development for the Civil Service which will have an impact on us all in one way or another, whether we work in Agencies or not. Managers in Agencies are being given the chance to try out new ideas and ways of working and it is important that other managers have a chance to find out what they are and whether they work.

Management Matters has secured an interview with the Project Manager, Peter Kemp to look at some of the implications. If we did not ask the question you wanted to ask please drop a line to the Editor and we will try to cover your points in a future edition. For the next issue — due at the end of June we will return to our more usual mix of topics.

·Stop·Press·

On the Map for Success

Ordnance Survey, which became the 31st Executive Agency on 1 May has been announced runner-up in the Southern Regional Final of the Royal Society of Arts, Management of New Ideas Award.

Ordnance Survey, one of six finalists selected from over 80 entries, was presented with a certificate of commendation on 27 April.

In the last ten years Ordnance Survey has transformed itself into a cost-effective organisation which is committed to meeting customer needs whilst maintaining the quality and craftmanship for which it is renowned.

Please Dial Again...

01 for London will cease to exist from 6 May 1990. From that date, if you call London from somewhere else in the UK, you will need to dial 071 before an inner London number and 081 before an outer London number.

Remember to change your letterheads, stationary etc.

Contributions and comments to:
The Editor
Mike Lewis
Management Matters
Room 67/G
Cabinet Office (OMCS)
Horse Guards Road
London SW1P 3AL
Tel: STD/GTN (071) 270 6270/6443
Fax: STD/GTN (071) 270 6136

Cartoons: Ian Slade

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EDITORIAL



Rt Hon Margaret Thatcher, MP, the Prime Minister.

One of my lesser known, but important, roles is Minister for the Civil Service. Government carries out an immense variety of tasks and touches most aspects of our national life. A lot has been done in the last 10 years to streamline its operations and make it more effective, and this will continue.

But now there is the renewed challenge of improving the quality of the services delivered for the benefit of taxpayers, customers and staff.

One of the great tasks we face for the 1990s is to improve our public services and make them more responsive to people's needs. Next Steps, which I launched two years ago, puts this at the top of the agenda.

18 new Agencies were set up in April bringing the total to 30 employing over 66,000 people. Each Agency has been specially tailored to the job it has to do and the service it is there to provide. Next Steps will cover at least half the Civil Service by the end of next year, with more to come after that.

But setting up Agencies is only the start. What matters is what is delivered. I was able to see for myself what is being achieved by the people at Companies House.

This issue of **Management Matters** tells more stories of how improved management in Agencies is working through into better and more imaginative services. It shows what can be done when managers are given increased personal responsibility, and the freedoms and incentives to do the job better.

Next Steps sets the direction for the Civil Service of the future. The test will be improved results and better service. I am sure this is what we will see.

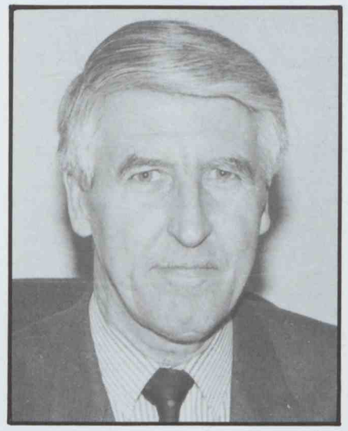
Margaret Thatcher

CENTREPOINTS

Seeking Help

The accelerating pace of change in the Civil Service has contributed to a substantial but controlled increase in our use of external consultants. This in itself is not a cause for concern, for the Service gains from bringing in outside experience and fresh perspectives from time to time, and they can help to revitalise the way we work. On the other hand, we need to be confident in the way we handle their hire and use.

The principal source of guidance in this area is the Treasury's 'Seeking Help from Management Consultants' booklet, which has just been revised. The booklet, which is aimed at managers in the Service who have a problem they need help with, or a specific piece of work to be done, addresses all the important issues, from maximising the effective and efficient use of in–house staff to getting the right consultant for the job and managing the task through to a successful conclusion. It is meant to supplement such internal advice as departments provide to their own managers.



Tony Hollis of the Treasury's Accountancy Advice Division, who advises on the hire and use of management consultants in government.

The booklet will be available from HMSO in May.

Contact: (For further advice on management consultancy generally) Tony Hollis, Accountancy Advice Division, HMT, Parliament Street, London SW1P 3AG; STD/GTN (071) 270 4760.

1990 Pay Offer

The Treasury has reached provisional agreement with the CPSA and the NUCPS about the 1 April pay settlements for staff covered by the clerical, secretarial, executive and office support pay agreements. Both unions are recommending the offers to their members.

The offers are 8·5 per cent to executive and office support staff and 8 per cent to clerical and secretarial staff; both with effect from 1 April 1990. There are also increases to ADP, accountancy and secretarial allowances.

There are a number of other changes including adjustments to starting pay on promotion for SEOs and EOs and the extension of the AA scale by the addition of a new half spine point from 1 June 1991.

As part of last year's settlement performance pay for clerical, secretarial and executive grades is being introduced from 1 April 1990.

Part-time Staff New Rules

From 1 April 1990 part-time staff working less than 15 hours a week will, in most respects, have the same terms and conditions as other part-time staff.

Until now, staff working less than 15 hours a week have not been eligible for the incremental progression, promotion, sick absence and maternity leave pay. This has meant that managers had less effective flexibility in the organistion of work than might otherwise be the case. Where they might have recruited someone to work a few hours every day or a day a week, they were deterred from doing so because the terms and conditions for these posts were less attractive.

From 2 April all this has changed. Part-time staff working smaller denominations of hours will be treated in the same way as other part-timers.

This will help managers recruit to their needs and allow them to provide the flexible arrangements of hours which staff and recruits are seeking.

Details are set out in General Circular 342. New guidance on the general subject of part-time working and job sharing will be issued in May/ June.

The 15 hour threshold will remain unchanged in some areas. These include the rules covering recruitment, eligibility for membership of the Principal Civil Service Pension Scheme and access to the Civil Service Appeal Board.

Contact: (for copies of the General Circular 342) Mike Deves, Room 7A/1, HMT, Parliament Street, London SW1P 3AG; STD/GTN (071) 270 4694.

TRAINING

Training for the Next Steps at the Civil Service College

High on the agenda of new Agencies will be issues of organisation and personal development. The sharper focus on serving customers, quality and meeting targets will call for new skills, and much closer attention to cultural change and team building.

But where should Agencies and potential Agencies turn for help and advice? Ron Oliver, Chief Executive of the Vehicle Inspectorate Executive Agency, turned to the Civil Service College. He is convinced that the Strategic Leadership courses run by the College for their top management teams have been a 'significant catalyst in taking forward cultural change'.

An Agency itself since June last year, the College has first hand experience of setting up the framework document and corporate plan and developing financial and personnel systems in support of its new freedoms. Like many Agencies, it was well down this road already, but has had to adapt its existing arrangements and adopt some new ones.



Keep up to date

The College has been at the forefront of training to underpin management reforms in Government. Its position close to the Next Steps team keeps it in touch with developments and emerging trends, so that it can offer up-to-the-minute information on its courses. What's more, it has had a regular flow of course members on its Next Steps programme over the last two years.

Their grass roots experience has helped to keep the College in touch with the problems, concerns, opportunities and challenges at the sharp end.

In short, the College offers a real understanding both of where Agencies are coming from, in terms of the skills and experience of their staff, and where they are going to in terms of new demands in a more business and performance orientated environment. All that and the chance to meet with others and share experience and best practice across Government as a whole.

The range of courses is wide. It covers subjects of central concern to Agency staff including strategic planning, organisational change, and business, finance and human resource management. There has been growing demand for courses in practitioner skills, for example the operation of trading acounts, and in accruals accounting systems. These help staff translate commercial practices and their application into the Government accounting context of Agencies and their parent departments.

Tailored events

Courses can also be tailored to the needs of a particular customer, and delivered wherever the customer chooses. The College also offers a consultancy service. They can help Agencies set up and operate new regimes, identify needs, and develop and implement solutions.

To find out more about what the College has to offer, and how it can help you cope with the new demands which Next Steps is making, why not flip through a brochure of Training for the Next Steps?

Contact: (for a copy of the brochure) Don Husey, Civil Service College, Sunningdale Park, Ascot, Berkshire SL5 0QE; STD (0990) 23444 ext. 4305/GTN 3803 4305.



Civil Service College: Sunningdale Park

NEXT STEPS Comment

Getting Down to Business

'Getting down to business' is how the economist described what is happening with the Next Steps project. The Efficiency Unit found that there was still a long way to go in the search for value for money and steadily improving services. Next Steps was their recipe for change. Peter Hennessy in his book 'Whitehall' wrote Next Steps has 'caught alight in a manner, which took many observers, myself included, by surprise'. He went on to say that Next Steps 'promised within a decade to transform the face of peacetime Whitehall on a scale not seen since the nostrums of Northcote and Trevelyan'.

Mr Hennessy described Peter Kemp, the Project Manager as a man who is putting his 'personal stamp on the programme, evangelising for it . . . with a fervour'. So ***Management Matters*** *went to talk to him. He started with this definition of what Next Steps is aiming to achieve:*

'Better management, better service'

Setting up Executive Agencies and releasing managerial energy, giving clear objectives, tough targets, freedoms and incentives to manage, will lead to a better and more efficient service to the public. Putting someone clearly in charge — a Chief Executive — giving them personal responsibility for the results and leaving them to get on with doing the job better is a formula that works for delivering Government services the same as anywhere else. Better perhaps because we are a people business.

'A new spirit in the land'

There is no doubt that it is working. We have got 30



Next Steps Project Manager, Peter Kemp.

Agencies set up. But there is not some factory production line for Agencies producing identical products to a blueprint. Each one is 'custom built' to take account of the service it is there to deliver. This was quite an achievement, but it is only the beginning.

Agencies are acting differently. Take two Agencies working together for example. The Vehicle Inspectorate (VI) are selling, for the first time, their expertise on motor cycle safety in book form through HMSO, who are sponsoring a motor cycle rider in a race to advertise it.

This is not the way the world expects the Civil Service to behave. This edition of **Management Matters** contains many other examples. It shows that old attitudes are changing. It is a new spirit in the land.

'A team effort'

Peter Hennessy said that I put my 'personal stamp on the programme', but it has certainly not just been me. I have a small, tightly organised team around me. And they have to be committed and work hard so it can stay that way. Bureaucracies are no good at creation; quite the reverse.

But it is not just the Team. They work with other people in the Office of the Minister for the Civil Service (OMCS). The Treasury are helpful. But above all it is the people in departments and Agencies who really count. They are the ones who know what the activity is about and who have to think about the issues, draft the framework documents and involve staff.

We spur them on but they know the facts and produce the raw material for change. The Agencies have to own the product. After all they have to live with the results.

'Benefits must be earned before dividends paid'

There is no bottomless pit of money available to pay for Government services; it has to come from the taxpayer or the customer. But Next Steps is not just about efficiency. It is for the benefit of customers and staff as well as taxpayers. Any benefits should be shared between the players.

HMSO and the QEII Conference Centre have both increased their turnover. Agencies are consulting their customers about what they want — Historic Royal Palaces have just surveyed their customers to find out what they want when they visit the Tower or Hampton Court.

Staff have the chance to benefit too. They can use their energy and talents to improve service to the public. And they are increasingly being offered the chance to earn cash bonuses. There are bonus schemes in VI and Companies House for example. But benefits must be earned before dividends can be paid.

'We must not waste people's talents'

People must be used to their full extent. They have ideas and imagination and these should be used. I have been most impressed by the ideas that have come up in 'Wish' lists about Agency status, for example and people must have adequate training and a chance to develop. They must have the equipment they need to do their jobs.

We are not in the business of breaking up the Civil Service. But being a civil servant does not mean that we all have to work to the same detailed rule book. It is possible to develop regimes tailored to a particular Agency and this will very often be necessary and right.

As far as the Trade Unions are concernced I have regular meetings with the General Secretaries and fully discuss with them what is happening. There is consultation on the setting up of individual Agencies.

And there is increasingly discussions between management and staff at local level too. For very many issues this must be right. Local people best understand local issues.

'No contradiction between proper public services and businesslike way of doing things'

I get furious when I hear some people talk as though the Civil Service is somehow good but inefficient while the private sector is somehow bad but efficient! Doing things better can only support and enhance the values of public sector management.

All organisations, big or small, public or private have their ethos and their values. It is patently not true to suggest that these cannot be reconciled with doing things in a business like way.

As John Major said firmly last year 'shoddy public services should not be an option. Nor should they be tolerated'.

'These launches mark a significant step forward for Next Steps'

Over 66,000 people are now in Agencies some in household names like the Employment Service and the Met Office. The wide variety of the Agency functions actual or proposed illustrate the diversity of the Civil Service. It shows why the Efficiency Unit opted for Agencies and the fact that the approach works demonstrates Next Steps adaptability.

Next Steps gives us a chance to try out new ideas on management issues such as pay scoping, bonuses, alternative working patterns and tailored appraisal systems. It gives us a chance to see real improvements in service. Agencies are the route and the right route; the results will follow.

'Half the Civil Service by end 1991'

As Richard Luce said to Parliament on 2 April, we have a target of seeing Next Steps applied to at least half the Civil Service by the end of next year, with more to come. We have the 30 Agencies now set up and 24 announced candidates. We are well forward with other parts of the Ministry of Defence, Inland Revenue and Customs and Excise.

There is yet more to come. I stick to my estimate of 75% over 10 years. And outside the Civil Service Richard Luce also announced that Next Steps principles will also be applied to all new Non-Departmental Public Bodies (NDPBs) and progressively to selected exisiting ones.

A personal appraisal at this point

This is a difficult one. It is still early. We have learned how to set up Agencies. And we have started to learn how to get them to deliver. And we do know that this is the way we have to go. We are starting to see the benefits and we shall see them increasingly.

Meanwhile for all involved it is worthwhile and it is challenging and it is fun!

The 30 Agencies are. . .

- Building Research Establishment
- Central Office of Information
- Central Veterinary Laboratory
- Civil Service College
- Companies House
- Department of the Registers of Scotland
- Driver and Vehicle Licensing Agency
- Driving Standards Agency
- Employment Service
- Historic Royal Palaces
- Her Majesty's Stationary Office
- Hydrographic Office
- Information Technology Services Agency
- Insolvency Service
- Intervention Board for Agricultural Produce
- Laboratory of the Government Chemist
- Meteorological Office
- National Weights and Measures Laboratory
- Natural Resources Institute
- Occupational Health Service
- Patent Office
- QEII Conference Centre
- Radiocommunications Agency
- Resettlement Agency
- Royal Mint
- Training & Employment Agency (N. Ireland Civil Service)
- Vehicle Certification Agency
- Vehicle Inspectorate
- Veterinary Medicines Directorate
- Warren Spring Laboratory

Ordnance Survey is due to be launched on 1 May to become the 31st Agency.

NEXT STEPS *Successes*

The Leopard who changed his spots!

The old jokes about the Civil Service so beloved of game show hosts ('you made your mind up quickly about that one! Are you sure you're a civil servant?') all stem from one assumption — that the Civil Service is not only detached and monolithic, it is also fundamentally removed from the pressures and motivations that keep the private sector up to the mark.

Companies House aims to bring this detachment to an end by introducing the elements of personal responsibility and reward-through-results that are the key features of efficiency in the market place.

Agency staff now work towards clearly defined and challenging productivity and quality targets. Staff and management, through participation in a group bonus scheme, have the prospect of additional reward if these objectives are met — a dramatic innovation in the concept of public sector management.

The buck stops here

The Agency puts a high emphasis on replacing the traditionally impersonal face of a bureaucracy with a modern, accessible image based on good customer care.

Our main customers now have a named individual at Companies House who acts as their regular contact with the rest of the organisation whatever the nature of the enquiry or request. In addition to this, a Central Enquiry Unit has been set up to receive calls from the public so that specified queries can now be directed to the section specialising in that area.

So many people, when contacting large government offices, suffer the frustration of being passed from one confused employee to another. Whether you are dealing with the most junior clerk or the most senior director, the Agency system ensures that there is no doubt where the buck stops now!



Members of the public accessing information at Companies House satellite office, Manchester.

The bureaucratic beast has been tamed!

New services

Developments have been quite spectacular with the introduction of a credit card payment system, facsimile services and a courier dispatch service for searches. Improvements are aimed at increased access to information and to this end work is progressing on a computerised register of directors and company secretaries. Wider public access has allowed for opening of four satellite offices to provide on-the-spot customer service.

Other new arrangements at Companies House include:

- *Staff Reporting* — The Agency administers and monitors its own staff appraisal system. It plans to reduce from two years to one the service qualification for Executive Officers who report on their staff. The two year Civil Service requirement was seen to put too great a burden on the shoulders of the few more senior managers.

- *Training* — Shortly after our move to Agency status, the Department of Trade and Industry commissioned consultants who undertook a training needs analysis which included Companies House. On receipt of their report, the Agency exercised its new recruitment freedom in deciding to recruit a Training Manager on a fixed–term contract to carry forward the recommendations. In particular, the aim is to design training which is more 'job related' — geared to the specific needs of Companies House and less 'course orientated' — directed at a Civil Service career.

Involving staff

The Agency has introduced its own staff suggestion scheme. Payments will take account of the level of cost saving arising from the suggestion.

Contact: Debbie Jones, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ; STD (0222) 380280/GTN 1210 2280.

Accelerating Change

Well, let's go straight in at the deep end and comment on the *real* changes that Agency status has brought to the Vehicle Inspectorate (VI).

Firstly, the organisation certainly now has a much higher profile with increased expectations from all our customers — those within as well as those outside the Department.

In addition, the existence of the Policy and Resources Framework Document has provided much clearer terms of reference within which the Chief Executive (I'm sure at least some of you have heard of Ron Oliver by now!), agency management and our parent department can operate.

Finally, there is undoubtedly a sharper and wider management commitment to the organisation and a greater determination to succeed.

Some specifics

More tangible benefits include:

- *efficiency gains* as authority and responsibility for the provision of services previously supplied centrally is now gradually being assumed, where appropriate, by VI itself;

- the introduction of a variety of initiatives specifically designed to improve *service to our customers* and aid *road safety*, examples of which are:

  (i) offering a *voluntary brake testing service* outside the statutory annual testing schemes;

  (ii) piloting a *Saturday testing* service;

  (iii) offering outside organisations a variety of *commercial training* courses on vehicle inspection services;

  (iv) redesigning and promoting the *sale of the Inspectorate's manuals* and other information likely to be of value to vehicle operators and manufacturers; and

  (v) commissioning a *market research* project to find out more precisely what our customer expectations and needs are;

- more emphasis on the operation of *appropriate training policies* including a consultants report on training within VI which recommends changes to the role and organisation of training in line with the new purpose of the Inspectorate as an Executive Agency. These changes include linking training with the Inspectorate's business objectives, introducing planned training programmes for key staff groups, moving the focus of training away from VI's own training centre and towards the workplace and introducing systematic induction and basic job training programmes for all those new to a job.

The heart of the matter

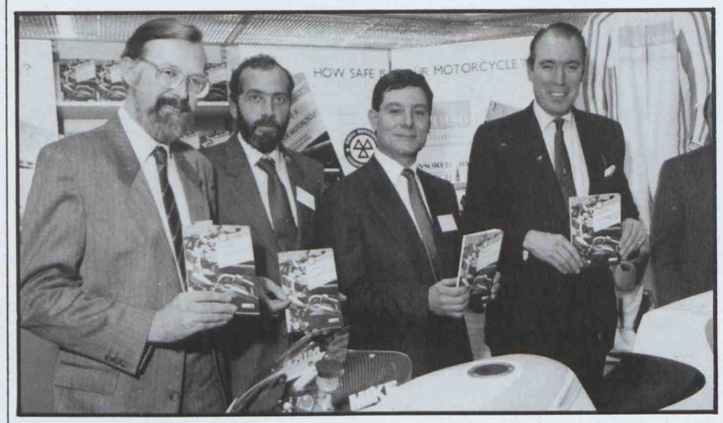
The Inspectorate quickly realised that to satisfy the requirements of its customers and meet its targets it not only needed able and well motivated staff, but also *healthy* staff. To this end, a voluntary health screening service was recently offered to all staff at no cost to the individual. Assessment of cardiac risk factors featured on the menu.

Given that a *cost efficiency improvement* of 3.7% over the period 1989/90 — 1990/91 was the primary target set for the Inspectorate when it became the Government's first agency, the 'cardiac arrest test' was of prime interest to most of us!! But we need not have feared. Current forecasts are that an 8% efficiency saving will be achieved over this period and the 1989/90 portion of the target has certainly been bettered.

The *Group Incentive Bonus Scheme*, which was agreed with the Department and Treasury following the setting of this target, will therefore certainly pay out this time around, enabling staff to have a tangible share in the success of our organisation.

Blood pressure can now — at least temporarily — return to normal as we quietly reflect on the wonders of teamwork and contemplate even more exciting and challenging times ahead.

Contact: Richard Heywood, Vehicle Inspectorate Executive Agency, Berkeley House, Croydon Street, Bristol BS5 0DA; STD (0272) 543273/GTN 1374 3273.



Left to right: Keith Walton, Roger Millward, Ron Oliver (Chief Executive) from VI, and the Minister for Roads and Traffic, Robert Atkins at the launch of 'How safe if your motorcycle?'. Produced by the Vehicle Inspectorate as a manual for riders to check and prepare their bikes for the MOT test (see page 6).

The Resettlement Agency — One Year On

The Resettlement Agency was launched on 24 May 1989. Its task — to run 22 Resettlement Units. These are hostels for single homeless people who have an unsettled way of life — and to bring about the progressive closure of these by working with local authorities and voluntary organisations to produce suitable alternative provision.





The decision to replace the Units was taken in 1985, but apart from the closure of Camberwell Resettlement Unit which was a special and separate case, not one Unit had closed when the Agency was launched.

Now at the end of year one, the Agency has announced closure dates for two Units as well as making progress in management of all 22 Resettlement Units.

Even though the Units will eventually be replaced the Agency sees it as vital that they are run properly.

Value for money

The Agency is developing and improving performance indicators which show the costs of food, fuel etc along with occupancy rates so that the cost per person, per night can be accurately calculated. Steps are also being taken to encourage the efficient use of manpower and manpower substitutes.

Customer care

Special effort is being made to measure the effectiveness of resettlement. Resettlement, as the title of the Agency suggests, is a vital part of the operation. It is the means by which residents are encouraged to try to abandon their wandering way of life in order to resettle into the community.

It is a difficult and often painstaking task, but one of great human importance. Measuring the success in this field is particularly difficult, but we have set up a working group and are exploring how best this can be measured.

We are also making efforts to establish best practices throughout the Units so that they can be spread. With the aid of Universities we are also undertaking research into the problem of long stay residents. Some Units have become home for some people with the result that they have stayed in the Unit for years; they have, if you like, become resettled into our Units. This of course is not the purpose of the Units and efforts are made to move such people to more suitable permanent accommodation.

Training

Much of the work undertaken by the Units is far removed from that done by other civil servants. The need for training specially targetted at Agency staff exists. In order to meet this need we have established our own training centre. It has a full programme of courses and seminars and is being increasingly used by staff for meetings and conferences.

The Agency Influence

Many would say that all of the steps that have been outlined above could have happened before. This of course is true, but all too often it did not. Agency status has distanced the operation from our parent Department, the Department of Social Security, and has provided a sense of identity and purpose which has enabled longstanding problems to be tackled.

The Agency focuses on the job to be done and the results that are required. Attention is now paid to results. The pressures of Agency status demand an improvement in performance.

Management and achievement of targets are now an important part of the Agency and in order to co-ordinate what is happening a regular cycle of communication meetings has been established from the top to the bottom of the Agency. In this way all staff can account for their actions as well as keeping in close touch with what is happening in other areas.

Determined to succeed

The Agency has progressed well towards its two prime tasks. Two closures have been announced and new management information is helping to control costs. Training and customer care are now being given full emphasis.

Whilst financial controls quite properly remain tight, operational freedoms are there to be taken. Our management team have identified these and vigorously pursued them.

Determination and commitment are essential: the Resettlement Agency has both.

Contact: Mrs Sandra Skingley, the Resettlement Agency, Euston Tower, 286 Euston Road, London NW1 3DN; STD (071) 388 1188 ext. 3512/GTN 3597 3512.

INFORMATION TECHNOLOGY

The Fate of the Pioneer

Article contributed by Ken Worthy, a freelance consultant working within the Department of the Environment (DOE).

In the computer business, the classic definition of a pioneer is 'a lonely figure staggering through the trees — with an arrow in his back.'

Managers of Next Steps Agencies face many new challenges. How can they avoid having to deal with them handicapped by one of these arrows?



New packages — beware!

Agencies will need effective financial management, with new management accounting systems. In this field at least, there is a valuable aid to the non-pioneer, in the form of packaged systems.

The best of the modern accounting system packages have the advantage of having done it all (or nearly all) before. In meeting the needs of many different customers, the package has to have a built-in flexibility which few bespoke systems can match. Accounting systems are complex, but many of the complexities are standard to all systems of the type. They can be got right — eventually, perhaps at the expense of the sanity of a few early users — and sold on to others. Specialist modules from the same supplier — Purchase Order Processing, Project Costing, Financial Modelling, etc — deal with different accounting needs, and are designed to integrate smoothly. Someone else goes through the pain of making it work for the first time.

Look before you buy

How do you pick the best? Packages and suppliers vary a lot — in software quality, calibre of support people, track record, and understanding of the public sector.

The advantage of the package approach can easily be lost unless you follow a simple rule. Don't buy it unless you can see it working elsewhere.

User references and site visits show up problems which may not surface during a smooth professional demonstration. Avoid the temptation to go for the latest, state of the art package or version. It may be perfect for your needs — but it could also give you an ulcer getting it to work. The right balance between modern technology and a tried and tested approach is hard to get right.

A new package may be the only possible choice, but avoid it if you can — and know the risks if you cannot.



Make the right choice

One final pitfall — limiting your choice more than you have to. Too often a massive questionnaire is sent out to thirty suppliers, each of whom knows he has little chance of success. Sometimes only four or five reply, making it hard to assemble a shortlist. A busy supplier may miss your deadline — and why is he busy? Perhaps because lots of people want to buy his package.

If suppliers know they have a good chance, they will respond. At DOE a very preliminary survey, sending a page and a half of key points to fifteen suppliers, well before the invitiation to tender stage, received 80% response.

The risk factor

Using packages reduces risk, but it's not an easy option. A lot of work is needed to reduce risk to a minimum. Of course, risk can never be eliminated entirely. In the immortal words of Andy Capp, 'We don't seek perfection — just a lot less imperfection'.

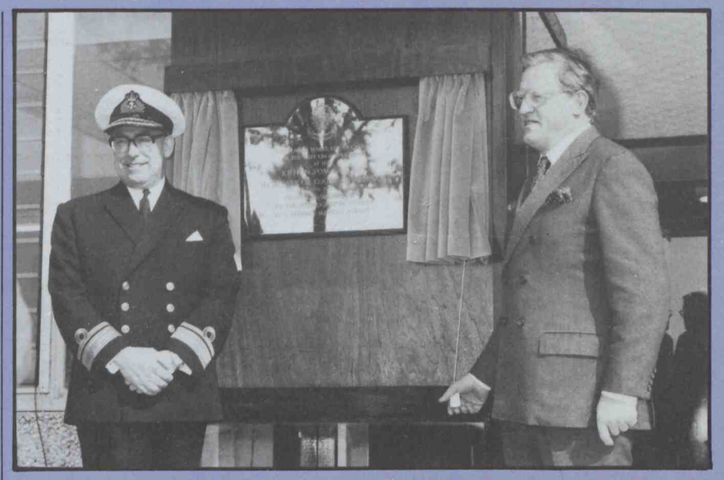
Contact: Ken Worthy, Department of the Environment, 2 Marsham Street, London SW1P 3EB; STD/GTN (071) 276 3913.

Ken Worthy (left) has spent eighteen months with DOE helping two of their Agency candidates, the Building Research Establishment and the Planning Inspectorate, with financial regimes, accounting systems and financial management. He is now working on a management accountancy systems strategy for DOE itself.

NEXT STEPS *Launches*

Gone to Launch

Since **Management Matters** last went to press the total number of Agencies has risen to thirty. Articles about many of these new Agencies appear elsewhere in this issue. Here we publish a pictorial record of some of the launches.



Tom King Secretary of State for Defence, with Chief Executive Admiral John Myers, unveils a commemorative plaque at the Hydrographic Office launch.

License to improve

The Driver and Vehicle Licensing Agency (DVLA) was officially launched by Cecil Parkinson Secretary of State for Transport on 2 April.

The occasion was marked by the unveiling of a Welsh slate commemorative plaque. Guests and all DVLA staff received commemorative packages which included a specially commissioned pottery goblet.

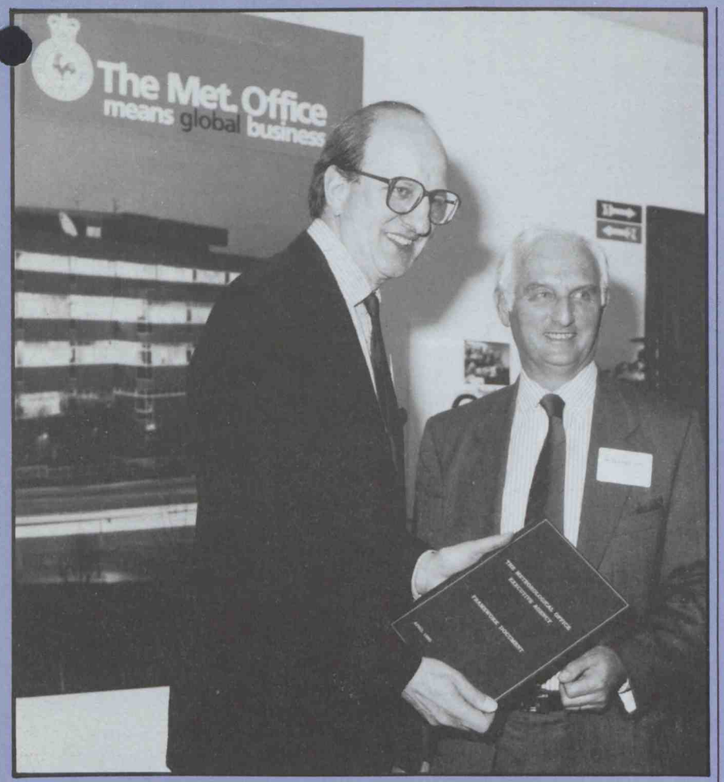
Speaking at the launch Mr Parkinson said, 'I am confident that the new freedoms and flexibilities which executive agency status will bring will enable DVLA to improve even further its service to customers'.





Secretary of State for Transport, Cecil Parkinson cuts the DVLA commemorative cake. Chief Executive, Stephen Curtis awaits his slice.

Left: DVLA's commemorative plaque.



What the Papers said

'Whitehall goes into business'
The Times

'Big step towards freedom raised great expectations'
The Independent

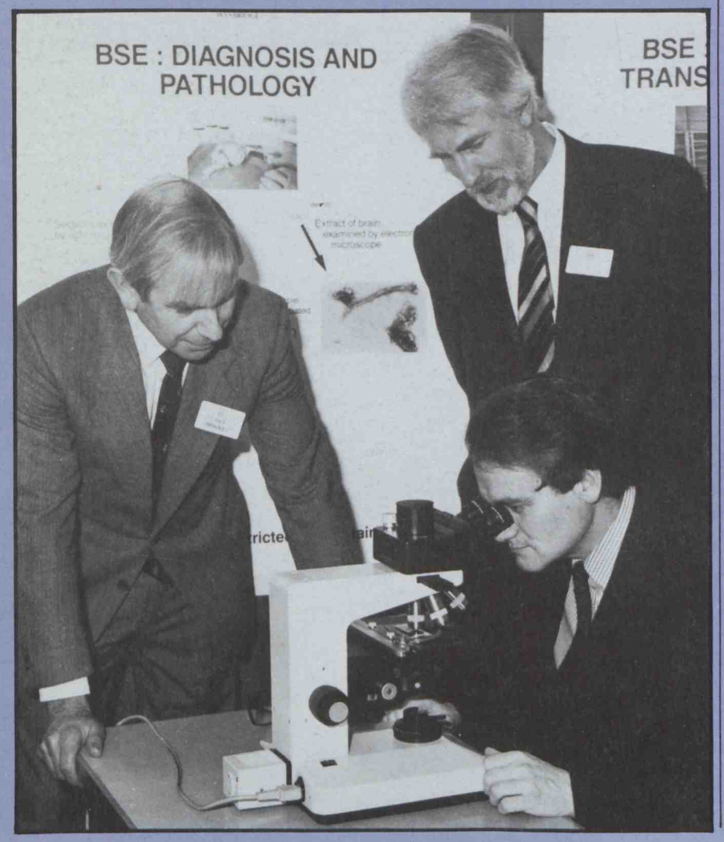
'Minting a new Civil Service'
The Standard

'More Agencies being launched'
The Financial Times

'Tenth of Whitehall now in Agencies'
The Western Mail

'Government gives 18 departments Agency status'
The Independent

Left: Defence Minister, Michael Neubert (left) presents the Met Office framework document to Chief Executive Dr. John Houghton.



Below left: Agriculture Minister David Maclean uses a microscope at the Central Veterinary Laboratory launch. Members of the Pathology Department, Ray Bradley (left) and Gerald Wells explain this aspect of their work.

And more to come

30 Agencies launched. Still to come from the announced candidates list: Social Security Benefits, Social Security Contributions, Civil Service Commission, Passport Office, Ordnance Survey (launching 1 May), Planning Inspectorate, Land Registry, Training Agency, Cadw (Welsh Historic Monuments), Central Statistical Office, Defence Accounts Organisation, Defence Research Agency, Forensic Science Service, Historic Buildings and Monuments, Military Survey, National Engineering Laboratory, National Physical Laboratory, RAF Training, Royal Parks and Service Childrens Schools,

SERVICE TO THE PUBLIC

A Valued Service

Every week nearly 2,000 customers ask the Durham Office of the Department of National Savings (DNS) to work out the value of their savings certificates.

And since about two thirds of them ring up the office, a sophisticated new telephone system has been installed in the Valuations Section.

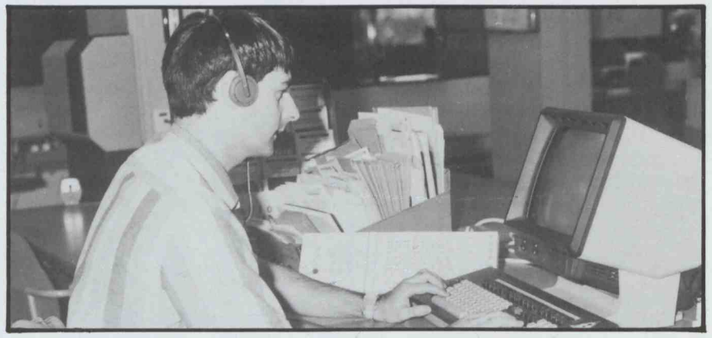
Business is increasing because the telephone number is now advertised on the repayment/reinvestment form and is being given by the National Savings Sales Information Units, which handle more than 700 general telephone enquiries every day.

The calls to the Durham office's Valuation Section can be quickly switched to eight extensions where the staff wear headsets — leaving their hands free to display information on their desk-top computers. AO Maureen Mather said, 'This new technology has made it easier for us to give a really fast, efficient customer service, in line with our High Street competitors'.

Repayments Section can also 'tap-in' to the computer information to sort out details quickly, when customers whose certificates have been repaid want to see exactly how the valuation was calculated.

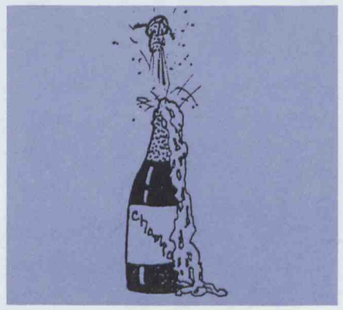
*A new leaflet, 'What are your Certificates earning now?', is now also available at post offices. It helps customers to decide what they should do with matured certificates — to reinvest with National Savings or to take their savings out.

Contact: Allan Nichol, Room 515, National Savings, Millburngate House, Durham DH99 1NS; STD (091) 374 5458/GTN 5223 5458.



AO, Terry Norman, checks the value of a customer's savings certificates to give an immediate reply on the telephone.

Win a Bottle of Bubbly



The Sunday Times published an article on 25 February about bad government service. The article focused on the Home Office's Immigration and Nationality Service which the Sunday Times claims has been labelled the most inefficient government department because of the large backlog of unprocessed applications for British citizenship.

The Sunday Times named the Passport Office and the Driver and Vehicle Licensing Agency as well as organisations from other parts of the public sector as also providing slow delivery of certain services.

The Sunday Times encouraged its readers to provide further examples of 'government bureaucracy and delay' by offering them a reward of a magnum of champagne for the worst example.

We reproduce a copy of the reply by the Head of the Civil Service, Sir Robin Butler, published in the Sunday Times on 4th March.

Support success

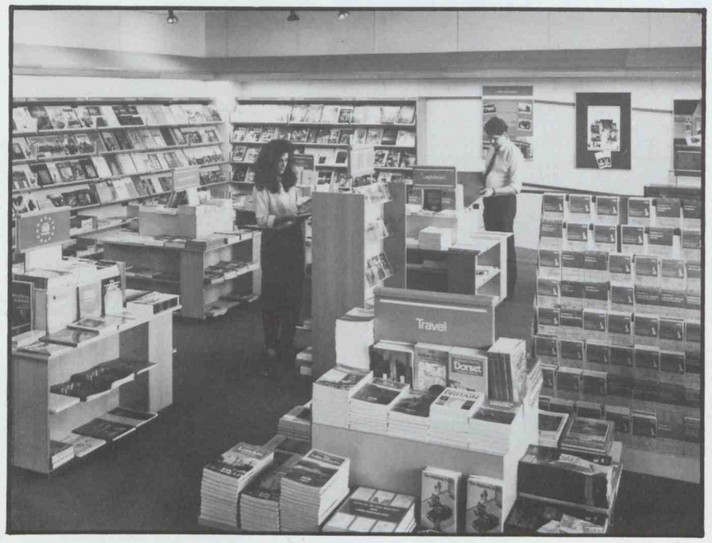
How depressing that you should offer a magnum of champagne for the worst example of departmental administration. Why not support success by offering a magnum of champagne for the best?

The Sunday Times has not as yet taken up Sir Robin's challenge, but **Management Matters** has! To redress the balance we will offer a bottle of champagne to the reader who draws our attention to the best example of service to the public by a Government Department or Agency.

Entries should be sent to Mike Lewis, Editor (see inside front cover) to arrive not later than 10 July 1990.

Results of **Management Matters'** competition will be announced in a later issue.

HMSO Improves Service to the Public



The refurbished HMSO bookshop, Birmingham — designed to encourage customers to come in and browse.

Many readers of **Management Matters** are likely to have encountered HMSO in the context of the provision of stationery items or the procurement of printing. However, whilst these activities account for the bulk of HMSO's £360 million turnover, they do not represent the face of the Agency that most people would recognise.

To the general public HMSO is synonymous with Government Publications and it is the Publications Division that has most direct contact with the public.

New look for bookshops

For many, their first contact will be a visit to one of the six HMSO Bookshops — in London, Belfast, Birmingham, Bristol, Edinburgh and Manchester. A substantial refurbishment programme has just been completed and the shops are now bright, attractive places where customers are encouraged to browse.

Most first-time visitors are surprised at the range of titles available and unless your tastes run exclusively to fiction, it would be hard not to find something to attract your interest.

Improvements in appearance are being matched by improvements in service. Staff are being given more training and are encouraged to take pride in the service given. Computer links with the Publications Centre in London enable them to carry out research on the more obscure titles and to reorder stock from the nearly 50,000 titles stored there.

Credit card purchases

Credit card purchases are now welcomed at HMSO shops and an increasing number of customers are taking advantage of this convenience. Some shops also now open on Saturday mornings and in the evening at certain times of the year, notably in the pre-Christmas period.

All this is paying dividends. Transactions in 1989 were up 10% on 1988.

Mail order

For those unable to reach an HMSO shop — or one of the 40 local booksellers accredited as Agents — a complete mail order service is available from the Publications Centre. On a typical day some 1,300 orders are received there. Including subscriptions and standing order business, around 8,000 despatches are sent out. Many orders are serviced within 72 hours and last year the performance target of 90% of orders to be turned around within five working days was surpassed.

In February 1990 the Booksellers Association announced the results of a survey of publishers service which placed HMSO sixth in a table of 68 publishers. This year's performance target is for 80% of orders to be turned around within four days and 90% in five days.

Orders can be placed by mail, fax, telex, Prestel or telephone and there is a telephone enquiry service too. The telephone order and enquiry numbers are proving to be very popular, and this means that the service is often under great pressure.

Quality

An automatic queuing system has been installed that gives callers music and messages whilst they wait. A survey has found that over 90% of customers are satisfied with the service, but HMSO management recognise that some callers are having to wait too long for a response. Accordingly, the telephone service has been identified as one of the first Quality Improvement Projects under HMSO's TQM programme.

TQM — Total Quality Management — involves satisfying customer expectations and this is seen as the key to the Agency's future success. HMSO's customers are not, of course, just the general public but staff in all parts of the public service. The TQM programme is just under way and it will take some time for results to be obvious to everyone. Nevertheless, in its approach to the public, HMSO is already demonstrating that customer service really matters.

Contact: Chris Penn, Director of Publications HMSO, St. Crispins, Duke Street, Norwich NR3 1PD; STD (0603) 695457/GTN 3014 5457.

NEXT STEPS *News*

A Creditable Start

The Insolvency Service, launched on 21 March 1990, is DTI's sixth Agency. Before Agency status it was DTI's largest single division, with over 1,400 staff all of whom will be affected by the transition. What will they gain?

The benefit to staff

The Service recognises that people are its single most important resource and that failure to provide them with opportunities to develop is wasteful. Taking over personnel management for administrative grades up to SEO in addition to professional staff, we will have personnel responsibilities for over 95% of our staff.

We will start by carrying out a posting and career development review this year, to find ways of using internal talent better.

In addition, more flexible working patterns will be developed. Training, too, will be better planned and tailored to the needs of all staff in the Service and help them to adapt to the changes in prospect.

And customers?

The Insolvency Service, by the nature of its business, has a variety of customers. For example, it must steer a balance between the interests of *creditors* and *debtors*, protect *the public* from fraud and wrong-doing in insolvency cases, give policy advice to *Ministers* and regulate private sector *Insolvency Practitioners* — all with the aim of helping to ensure that the market works and that public confidence in it is maintained.

The various needs of our customers will be better served by a more efficient and effective Service. New *targets* and *objectives* will cover: increasing productivity in case administration by at least 8%; completing administration of at least 13,600 cases; and reporting to creditors and holding creditors meetings within specified time limits within 60 and 90% of cases respectively. (Unit cost alone does not, of course, reflect complexity of cases.)



Nicholas Ridley, Secretary of State for Trade and Industry (left) with Insolvency Service Chief Executive, Peter Joyce at the launch ceremony.

New strategy

A better integrated planning system, improved management and financial information systems, an information technology review and strategy, and a communications review, in addition to better staff training and development, will all contribute to improving efficiency.

Another key to improvement is the Service's aim to be more proactive in many areas of its work, including making better use of contacts and information. This has been clearly stated by our Chief Executive Peter Joyce who said, 'Because our functions are statutory, it would be easy to assume that 'more of the same' is the order of the day. That is not so.

The Insolvency Service has adapted itself to the new professional demands of the 1986 Act and is now implementing a major programme of managerial change'.

Contact: Amanda Fawcett, The Insolvency Service, Bridge Place, 88-89 Eccleston Square, London SW1V 1PT; STD/GTN (071) 215 0782.

Your Health In Their Hands

The Occupational Health Service (OHS) has become the second Next Steps Agency within the Cabinet Office, Civil Service Minister Richard Luce announced on 2 April.

The move to Agency status gives OHS staff added incentive and opportunity to improve the quality of the services they provide to government departments and other Agencies.

Mr Luce explained, 'The OHS was set up in 1986 to implement the recommendations of a scrutiny by the Prime Minister's Efficiency Unit. Its job is to promote the health and safety of civil servants at work. Government departments, like other employers, have to prevent or deal with the distinctive health problems which affect their staff by reason of their work or workplace. *...continued on page 17*

Corporate Planning Can Seriously Improve Your Team

Senior Veterinary Scientists can be rather crusty. They are strong willed, have a habit of questioning everything and like to be independent. Producing a corporate plan is an excellent way of developing them into an effective team. And of course a corporate plan is essential in the operation of an Agency as a business.

Heads of department at the Central Veterinary Laboratory (CVL) are proud of the reputation of the Laboratory. The departments form the pillars of CVL success and over the years have gone from strength to strength. This has produced strong group loyalties, but woe betide anyone who tries to interfere.

Why bother

Corporate planning is all about matching internal strengths to external challanges. CVL has many strengths but everyone needs to pull in the same direction. The question of how to do this was tackled by Chief Executive Dr Tony Little.

At the beginning it was painful. Not everyone could see why we need a coherent plan. 'We all know what we want. Why do we need to write it down?' was a common sentiment. 'We don't have time for all this' was another.

Questions

After accepting it was something that had to be done we moved into the next phase . . . panic!

This started with questions such as: Why are we here? What business are we in? What are we really trying to achieve?

Next came the questions: who are our customers? What benefits are they looking for? and the really big one: Why should they come to us?

Answers

We tried a brain-storming session. This was led by a Head of department fresh from a business course at Sunningdale and it produced the answers. It even produced the mission statement. By now people were beginning to enjoy themselves!

There was a temporary setback when we started thinking about the future. How on earth could we be expected to know what is going to happen in five years time?

By taking each work programme in turn we discovered it was possible. In practice we found very little on which we could not express an opinion. Our knowledge of work in the pipeline also helped us to anticipate new work.



Baring our souls

We were very brutal in assessing our strengths and weaknesses. It was something that had to be looked at. We only showed this to our close colleagues. It was reassuring that many thought that we were being far too hard on ourselves. After all the analysis we were ready to plan ways of maximising the use of our resource and to improve management.

Achievement

Eventually we produced our Corporate Plan. We thought it through, we wrote it, we owned it. Everyone worked well together. There was mutual support. People discovered new skills. No matter what challenges lay ahead. CVL Executive Agency now has a close knit management team of motivated veterinary scientists.

Contact: John Morris, CVL, New Haw, Weybridge, Surrey KT15 3NB; STD (0932) 341111 ext.2479 GTN 3956 2479.

Your Health in Their Hands
continued from page 16

'The OHS has a key role to play in supporting managers to meet their legal obligations and reap the benefits of fit and productive people. It provides expert advice on the statutory responsibilities of employers and on all aspects of occupational health, from recruitment to retirement. And it offers a complete range of supporting services like medical examinations; training in first aid, in the handling of hazardous substances and in the implications of legal changes; and tailor–made information and advice for civil servants working abroad.'

In a letter to staff, the Medical Adviser and Director Dr George Sorrie wrote, 'Our role and responsibilities are well defined. I know that OHS staff are already committed to an efficient, customer–oriented, quality service. Agency status gives us a more independent and autonomous role which we can ourselves shape to meet our primary goal of promoting and improving the occupational health of civil servants.'

The prime financial target of the OHS is to recover its full costs by charging customers for its services. OHS has also identified key performance indicators for the detailed planning and monitoring of its resources. These include the cost per productive professional day and the cost per case referral. The OHS also aims to improve the quality of its services and is looking at ways of measuring these.

Contact: Myra Chapman, OHS, 18–20 Hill Street, Edinburgh EH2 3NB; STD (031) 220 4177.

Sunny Spells Ahead

The wind of change is sweeping down the corridors of the Met Office.

The Meteorological Office, to give it its proper title, was launched as an Executive Agency on 2 April by Defence Minister Michael Neubert.

The move means important changes for the Met Office, with more emphasis on providing a high-quality, cost-effective service to its customers, including the public, and ensuring increased benefits from its products and services. This will be achieved without prejudicing the organisation's high professional standards or its renowned international reputation.

A new severe weather warning service is being introduced, in co-operation with the BBC and ITN, with the aim of increasing the effectiveness of advice given to the public ahead of storms such as that of 15/16 October 1987 and 25 January 1990.

New services

New commercial services will be provided to customers in the retail sector, to help them understand the weather sensitivity of their activities and then provide useful predictions of the weather to which they are sensitive.

Accuracy

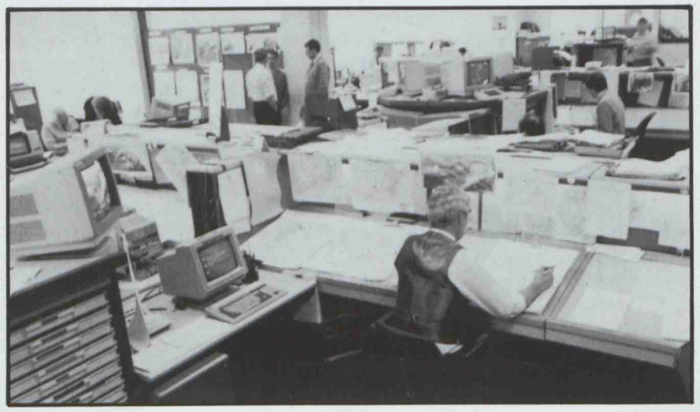
With its new status, which brings greater management flexibility and freedoms, the Met Office aims to improve the accuracy of its forecasts and increase the revenue from commercial initiatives.

In line with other Agencies it will be looking to achieve tight performance targets. These include:

- To achieve a 6% per annum cumulative increase in the uptake of meteorological services, as measured by revenue generated;
- To reduce net operating costs by 3% per annum cumulatively, after the first year as an Agency;
- In the period 1990-95, to reduce the standard error of 48-hour forecasts over the North Atlantic and northwest Europe by 15%.



The London Weather Centre shop window.



The Central Forecasting Office at Bracknell

New board

A new Board of Directors has been appointed to reflect the shift in objectives and to derive maximum benefit from the new freedoms and increased commercial orientation. The Board includes two new appointees bringing in fresh industrial and commercial skills from the private sector.

Chief Executive Dr John Houghton said: 'The Met Office is particularly well suited to meet the challenge and to make full use of the new opportunities.

'We have been developing our commercial service for a number of years now. Our emphasis on satisfying customer needs will be of overall benefit.

'To further improve the quality and effectiveness of our services, we now need the greater freedoms, and the attendant accountability, which Agency status will give us.

'I believe that we have the ability to rise to the challenge and that we can face the future with confidence'.

The long-term forecast — becoming brighter with plenty of sunshine on the way!

Contact: Mike Phillips, Meteorological Office, London Road, Bracknell, Berks RG12 2SV; STD (0344) 856909 GTN 1443 6909.

35,000 – The Biggest Yet

On 2 April, the Employment Service (ES) with around 35,000 staff became the biggest Agency so far. Its main aim is to promote a competitive and efficient labour market, particularly by giving positive help to unemployed people through its job placement service and other programmes and by the payment of benefits and allowances to those who are entitled to them. The ES fulfils its objectives through a national network of around 2,000 local unemployment benefit offices and jobcentres.

Freedom to manage

As an Agency, the ES has new financial arrangements which will enable it to provide extra services to employers on a cost recovery basis. The ES will also have more freedom to decide its network. Once the Secretary of State has agreed the ES's annual estates plan the Chief Executive will be able to open and close offices in line with the parameters in the plan without seeking Ministers' specific agreement. And under Agency status the Chief Executive can develop and implement personnel and pay policies best suited to ES's business needs.

Amongst the personnel developments ES is now considering are:

- a reduction in probation periods from twelve to six months in some cases;
- advertisement of specific job vacancies. All those in the grade or marked fitted for promotion will be able to apply for jobs they are interested in and the people for whom they would be working will be involved in the selection process;
- a pay scoping study to determine if jobs at the same grade should all continue to attract the same rate of pay.

The ES, which spends 70% of its annual running cost budget on salaries, sees developing its staff and getting the right people into the right jobs as a major step towards its customer service.

Meeting local needs

Devolving responsibility and authority to local managers is also important — including in the longer term enabling them to adapt national programmes like Restart to meet local needs better. ES Chief Executive Mike Fogden said 'Local managers will have the freedom to act flexibly and reflect the needs, as they see them, of local labour markets. The important thing about the Employment Service is that it covers the whole of Great Britain. The labour market in Swindon is very different from those in Sheffield or Sunderland.

'National schemes do not cope well with that. What the Agency does is give us the flexibility, some people call it freedoms, to enable us to develop a more locally responsive service'.

One–stop shops

For ES, Agency status goes hand-in-hand with other developments such as integration and the development of new performance indicators. Jobcentres and benefit offices are to be progressively integrated over the next four years to provide 'one-stop shops', with the full range of benefit and job seeker services under one roof. A system of 16 output measures replaces over 30 former performance indicators, many of which measured activities. Now instead of counting how many interviews are done, managers at all levels will be looking at the outputs of those interviews — how many people get jobs, for example. This will help managers focus on meeting the ES's objectives and clients' needs.

Introducing change

To help managers keep staff informed, everyone in ES receives regular editions of a newsletter called Agency Notes. All staff have also received a booklet 'Framework for Change' summarising the new Agency arrangements and proposals for using them.

Plans are being made for workshops to give local managers the opportunity to discuss how they want to develop the ES as an Agency in their particular area. Mike Fogden said that although the pace of change would be swift, Agency status meant evolution rather than revolution for the Employment Service.

'It has got to be evolution for a very large organisation like ours. What we have embarked on is a programme of changed management. We want to change the way the organisation is run, the way it is managed. We want to change it to make it more receptive, more positive and more valued'.

Contact: Jackie Naylor, Employment Service, St Vincent House, 30 Orange Street, London WC2H 7HH; STD (071) 389 1378/ GTN 3041 1378.



Left to right, Minister of State, Tim Eggar, Secretary of State, Michael Howard and Employment Service Chief Executive, Mike Fogden at the launch day press conference.

For Your Information

On 5 April the Central Office of Information (COI) joined the 30 strong list of 'Next Steps' Executive Agencies. To mark the occasion, staff, customers and suppliers were invited to attend four presentations at the Queen Elizabeth II Conference Centre in London.

Addressing the various audiences, Mike Devereau, COI's Chief Executive, said: 'I welcome Agency status for COI. Over the last forty or so years we have built up an unparalleled resource of experience and expertise in solving publicity problems for government and with government and I am pleased that the value of our role is recognised and that we can go forward with the benefit of the clearer objectives, closer targeting and greater freedom that Executive Agency status brings'.

Full recovery

The COI was well prepared for its new status. Since 1984 it has recovered the full cost of its various press and publicity services from its government customers and — increasingly — had to compete for their business.

Aided by a sophisticated Management Accounting System, its staff have become increasingly adept at controlling costs, measuring performance and bringing jobs in on budget. Running costs have been reduced by a fifth while output has increased steadily.

As well as these efficiency gains COI has also earned substantial savings for its customers through skilful purchasing. In 1988/89, for example, the savings amounted to £24 million on a turnover of £144 million.

With such a successful history, was a new status necessary? Richard Ryder, Economic Secretary to the Treasury and the Minister with special responsibility for COI, said: 'To get the best out of resources available to them, managers must have clear objectives and targets; they must have flexibility to allocate their resources in the best way to deliver their targets.

'Agency status gives COI the chance to continue its development along business-like lines by being even more flexible and efficient'.

COI's performance targets for 1990/91 are:

- To break even in current cost terms;
- To achieve a 1 per cent reduction in unit costs;
- To achieve savings under the terms of the Treasury's Purchasing Initiative;
- To deliver all work in accordance with client specifications; and
- To deliver all work on time.



Richard Ryder (right) Economic Secretary to the Treasury, hands over COI's framework document to Mike Devereau, COI's Chief Executive.

Developing service

A few examples illustrate how COI is improving and developing its services: the Electronics News Distribution Service introduced last year has cut the time it takes to deliver press notices from government departments to news organisations from four hours to twenty-five minutes; personal computers, computer-aided design and electronic page layout equipment are widely used in the Publications Division, enabling COI to carry out some 2,000 print projects a year; the Direct Marketing Unit has grown from two non-specialists and a turnover of £300,000 in 1986 to 12 highly qualified staff and billings of £5.5 million in 1989/90.

New ideas

As an Executive Agency COI will continue to work exclusively for government and public sector clients. For its 750 staff there are unlikely to be sudden or dramatic changes but they will have the opportunity to earn bonuses for increased efficiency. They will also have the chance to put their ideas straight to the man at the top. In a letter to every member of staff, Mike Devereau called on their expertise: 'If there are improvements that could be made, or hindrances removed that could help you do your job better, please write to me personally'.

COI looks forward to the challenge of Agency status and the new impetus it gives us to serve our customers even more efficiently and effectively.

Contact Michael Runnicles, Press Office, COI, Hercules Road, London SE1 7DU; STD (071) 261 8247/GTN 3528 8247.

New Beginnings





A Welsh flavour to the launch of the Patent Office Executive Agency.

The Patent Office Executive Agency was launched on 1 March 1990, St David's Day: the date was also chosen to mark progress in the Office's move from Holborn to Newport, Gwent.

In these very early Agency days, it may be premature to talk of our successes and innovations. Nevertheless we have already:

- taken advantage of our new personnel delegations to operate local recruitment and promotion arrangements which will enable us to be more sensitive to the needs of our managers, to match qualities better to posts and to provide a faster service than central departmental facilities were able to offer;
- set up an internal Management Board made up of the Office's senior line managers and the head of its service functions, who meet regularly to determine policy, to monitor key aspects of performance against targets and generally to re-orientate the Office on more commercial lines;
- introduced a Steering Board made up largely of non-civil servants with relevant commercial experience to act in an advisory role;
- provided on-line access for customers to the Patent Office database for searching associated with patent and trade mark proposals; and
- produced a comprehensive and user friendly guide for customers to the services of the Office.

Plans for the future

Leaving aside the relocation of the Office, much is planned for the future: the following will provide a flavour of some of the key features contained for in our latest Corporate Plan:

Improvements to Services. The Plan provides for improvements in productivity, unit costs and quality of service, including greater use of fax facilities, the availability of a wider range of services (eg, express services at premium prices, if there is sufficient demand), and the introduction of easier and more modern arrangements for paying fees.

Development of Staff. A strategy is being evolved for career development and training — this will encompass private sector management techniques and an analysis of ways in which job satisfaction can be enhanced.

Customer Feedback

A system is being devised for regular feedback from customers on the quality of services provided. The arrangements for communications with staff are also being reviewed and a fresh strategy developed. A comprehensive marketing plan is being prepared to ensure that all sectors of industry are aware of the importance of intellectual property rights and know how to exploit them: channels of communication will include road shows, seminars, arrangements for targetting key areas (including research and development sectors of universities and government departments), video presentations and participation in exhibitions. A by-product of the promotional work will be the creation of additional business for the Office.

In summary our future plans involve a drive to establish a more commercial ethos which, coupled with the development of full commercial accounting systems, will result in enhanced financial viability and pave the way for the additional freedom, control and flexibility of trading fund status for which the Office is aiming.

Contact: Mrs M. Cooke, Patent Office, Chartist Tower, Newport, Gwent, NT9 1DW; STD (0633) 246161 ext. 5136/GTN 1211 5136.

New Name, New Drive, New Targets

The Driving Standards Agency (DSA) was launched on 2 April. Formerly the Driver Testing and Training Division of the Department of Transport (DTP), the new name was chosen following a competition among staff. We wanted a name which would reflect more accurately the organisation's basic role of fostering good driving and motorcycle riding standards, including the standards of those who instruct learner drivers and train motorcyclists.

'L' Test failure to be explained

In launching the Agency, Robert Atkins, the Minister for Roads and Traffic, said that from 1 May examiners would give an oral explanation to candidates at the end of failed tests. (This represented a significant improvement in the service at no cost to the customer). The current procedure when candidates fail the test is for the examiners to issue a statement of failure on which they underline the particular points to which the candidates need to give attention before taking the test again. The form is not easily interpreted. The decision to introduce oral explanations was taken following a trial at selected driving test centres last year.

'L' Test wait to be reduced

DSA's major service standard is the waiting time for 'L' tests. The target for 1990/91 is to reduce the average waiting time to eight weeks nationally, and twelve weeks in the London area.

Improved 'L' Test booking service

The Agency will be examining the scope for introducing other service standards, including the time taken to process driving test applications and the telephone service in the driving test booking sections.



Minister for Roads and Traffic, Robert Atkins (left) with Chief Executive, Chris Woodman at the DSA launch.

Customer survey

To help us in deciding the range and standard of service expected by our customers, we will be carrying out later this year a survey of our customers, both candidates for driving tests and their instructors.

Developing the people we need

A major objective for DSA in 1990/91 is to develop a training strategy to realise the full potential of all DSA staff in the efficient conduct of our operations, in our relationship with those who use our services, and in the achievement of service standards. A management development programme started in January for senior examiners in charge of 'L' test centres. The objective is to put all 260 through the programme.

Communications with Staff

We have recently carried out a two stage communications survey. Stage I was a sample interview programme which took a 5% slice throughout the organisation. The information from the interview was used to design a questionnaire for stage II which went to every member of staff. The response was 50% – very high for a questionnaire survey in a widely dispersed organisation. The questionnaires are now being processed and the results will be sent out to staff.

In June last year, as part of our preparation for Agency status, we carried out a cascade briefing programme in the organisation. People at all levels were briefed on the aims and objectives of Agency status, and what it might mean for DSA. They were asked to state their 'wishes and worries which were fed back to the Management Board.

A consolidated list of wishes and worries was subsequently issued to every member of the staff. To coincide with Agency status a progress report on the 'wish list' has been issued to every one. The report outlines the wish list priorities for 1990/91.

In the 'DSA Launch News', issued at the end of March, we listed the things which would be different when we became an Agency. These included:

- a new name, a logo and a slogan 'Safe Driving for Life'.
- A Chief Executive and a Board of Directors
- A formal contract with DTP.
- Much greater financial, contractual and personnel delegations.
- Our own personnel management branch for examiners.
- An opportunity to develop new business initiatives.
- An opportunity to change our culture to adopt a more commercial approach throughout our organisation; makes us more responsive to the needs and wants of the customer; enable us to have more effective communication with our staff; and look upon change as a challenge and an opportunity, rather than a threat.

Contact: Brian Donaldson, Room C17/D9, DSA, 2, Marsham Street, London, SW1P 3EB; STD/GTN (071) 276 6320.

ARTICLES

Now Follow That



QED day at Ordnance Survey.

Contributed by Ian Lock, Ordnance Survey – to be launched as an Agency on 1 May 1990.

As a department that has for a number of years encouraged innovation and change we read the QED article from the Vehicle Inspectorate Agency (VI) with interest (see **Management Matters No.4**). Ordnance Survey is the nation's supplier of mapping information, a field where technology is bringing about massive changes both in terms of the end product and the skills people have to employ to produce it. We too have used QED (quid each day, or quality each day), but more of that later.

Mapping out the future

Management is not a static process but one of constant change. We have through a variety of means tried to improve our efficiency and to provide a better service to our customers. We held short middle and senior management 'talk-ins' on an 'In search of Excellence' theme, and subsequently put considerable effort into the development of a Mission Statement with clearly identifiable corporate objectives. At lower levels managers have taken those objectives as a basis for strategies with which staff can more clearly identify. I am not saying that we are perfect but we are trying to improve our objective setting, performance monitoring and communication.

But where does QED fit in? Our next area for attention is customer service and quality management. The Department is considering whether it should embark on a total quality regime and QED seemed the ideal appetiser.

What next?

The campaign run last October, assumed such a high profile that one of the main problems exercising the minds of managers in the wake of QED has been 'how do we follow that', particularly with regard to our staff suggestion scheme, which although well regulated, paled into insignificance alongside the more flashy QED. Spurred on by the challenge of QED we have made plans for the scheme's rejuvenation, including streamlining the staff suggestion process, holding a competition to design a logo for the scheme, and giving increased publicity, both to the scheme and the winners of the award through a regular bulletin and a publicity board in the main entrance of our Headquarters. First indications are that momentum engendered by QED has been maintained and fed into the staff suggestion arrangements.

Results

As for the results for the Ordnance Survey's QED campaign, we had 7,113 ideas of which 1,340 have been implemented and a further 2,540 are still under consideration. It is very difficult to put a value on all the ideas in terms of cost savings, but certainly many useful savings have been achieved. Mind you, QED left its scars too. We under-estimated the amount of management time it would take and were surprised at the enthusiasm (or was it vehemence) with which staff became marketing, personnel, office services experts overnight. If we were doing the scheme again we would ensure even more effort went into directing the creative process to the local work situation, rather than taking the easier option of making suggestions which somebody else has to cope with. The final verdict? Worthwhile, but without many willing management helpers it could knock you off course with your day to day work.

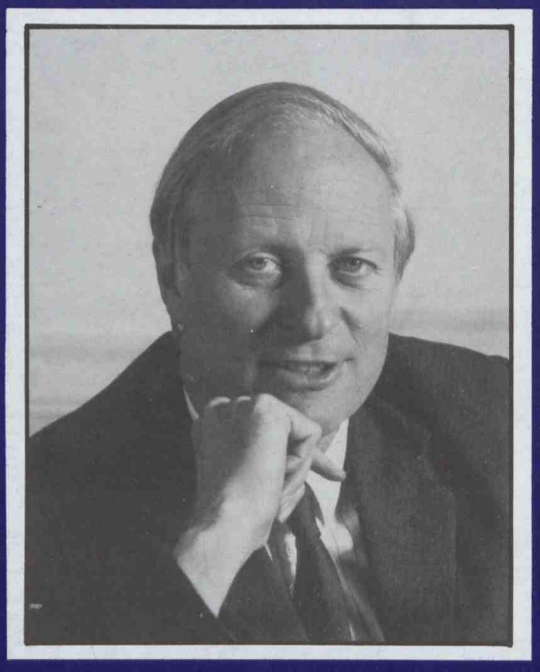
Ideas award on its way?

Oh yes, our latest initiative in addition to the consideration of total quality management has been an entry in the Royal Society of Arts Management of New Ideas Award Competition. We have reached the Southern Regional Final of the Scheme (in company with such names as British Airways and Gardner Merchant) so wish us luck as no doubt competition will get stiffer from hereon in.

'QED' is a commercially available campaign and others may be available. Publication of this article in ***Management Matters*** *does not imply endorsement of any company or product.*

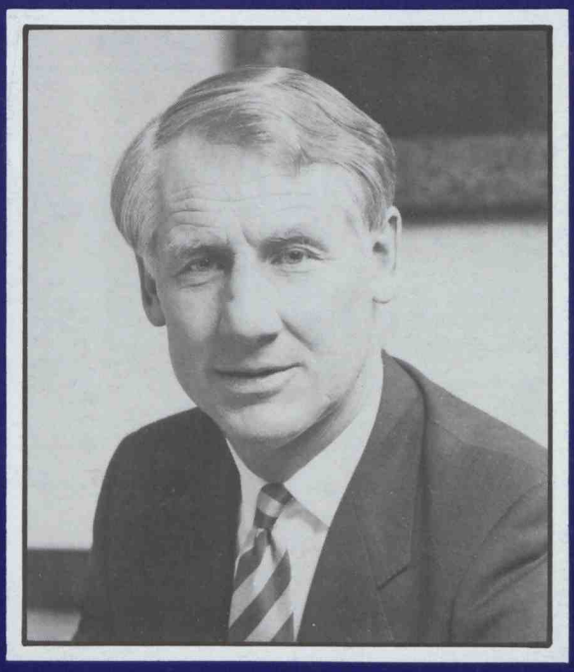
Contact: Ian Lock, Ordnance Survey, Romsey Road, Southampton, SO9 4DH; STD (0703) 792702 GTN 2027 2702.

PEOPLE



Rt Hon Richard Luce MP

Minister for the Arts and Minister of State, Privy Council Office, with day-to-day responsibility for the Civil Service since September 1985. He was first elected to Parliament in 1971 and has served as a Minister of State in the Foreign and Commonwealth Office. He became a Privy Counciller in 1986. He is the Member of Parliament for Shoreham.



Sir Robin Butler KCB CVO

Secretary to the Cabinet and Head of the Home Civil Service since 1 January 1988. He joined the Treasury in 1961. There he held the posts of head of the general expenditure policy group 1977–1980, principal establishment and finance officer 1980–82, and second Permanent Secretary, Public Expenditure 1985–87. He has also been Private Secretary to three Prime Ministers — Edward Heath, 1972–74; Harold Wilson, 1974–5 and Margaret Thatcher 1982–85.



Next Steps Project Team: From the left – clockwise around the table; Doreen Maytom, Peter Martin, Paul Jenkins, Stephen Kershaw, Janice Munday, Caroline Bentley, Peter Kemp (Project Manager), John Vaughan, John Wynn, Jeremy Cowper, Ian Watson and Julian Mountfield.

PREFACE TO MANAGEMENT MATTERS ISSUE 5

DRAFT FOR THE PRIME MINISTER TO SIGN

One of my lesser known, but important, roles is Minister for the Civil Service. Government carries out an immense variety of tasks and touches most aspects of our national life. A lot has been done in the last 10 years to streamline its operations and make it more effective, and this will continue. But now there is the renewed challenge of improving the quality of the services delivered for the benefit of taxpayers, customers and staff. One of the great tasks we face for the 1990s is to improve our public services and make them more responsive to people's needs. Next Steps, which I launched two years ago, puts this at the top of the agenda.

18 new Agencies were set up in April bringing the total to 30 employing over 66,000 people. Each Agency has been specially tailored to the job it has to do and the service it is there to provide. Next Steps will cover at least half the Civil Service by the end of next year, with more to come after that.

But setting up Agencies has never been an end in itself. What matters is what is delivered. I was able to see for myself what is being achieved by the people at Companies House. This issue of Management Matters tells more stories of how improved management in Agencies is working through into better and more imaginative services. It shows what can be done when managers are given increased personal responsibility, and the freedoms and incentives to do the job better.

Next Steps sets the direction for the Civil Service of the future. The test will be improved results and better service. I am sure this is what we will see.

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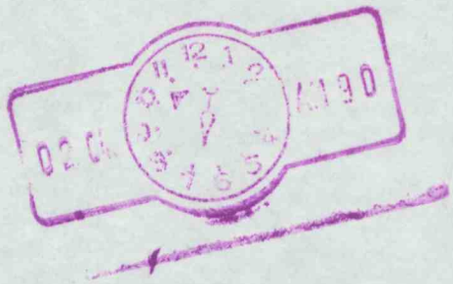

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cc PM.
letter only

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

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

Secretary of State

NBPM

The Rt Hon Richard Luce MP
Minister of State
Privy Council Office
Horse Guards Road
LONDON
SW1P 3AL

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I have the attachments
CAS

2nd April 1990

Dear Richard

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I wrote to you on 19 March about my plans to establish the Employment Service as a Next Steps Executive Agency. I have today announced the launch of the Employment Service Agency.

I now enclose for your information a copy of the Framework Document and its annexes. I am copying this letter and enclosures to the Prime Minister, to other Cabinet colleagues, and to Sir Robin Butler.

Yours ever

Michael

MICHAEL HOWARD

Employment Department · Training Agency
Health and Safety Executive · ACAS


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