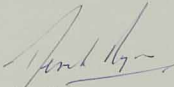


PRIME MINISTER

THE SCRUTINY PROGRAMME; THE "RAYNER PROJECTS"

1. You asked for reports on these by today.
2. I attach a minute on each, together with summaries of the scrutiny proposals made by Ministers and of the recommendations made by the "Rayner project" officials.
3. You have a lot of other things to read, so I have tried to help you through the attached by
  - a. Noting in the text the points of "Action" I am suggesting; and
  - b. summarising these at the end of each minute (see flags A and b).
4. I am copying this, and the two minutes, to Sir Ian Bancroft and Sir Robert Armstrong.

  
Derek Rayner  
30 November 1979

PRIME MINISTER

THE SCRUTINY PROGRAMME: ROUND ONE

1. Ministers have responded to the Cabinet decision of 4 October with 33 proposals. A summary is attached.

PURPOSE OF THE PROGRAMME

2. I recommended that the programme should include tests of specific functions, tests of ways of doing things and tests of the cost of running the Government; that early scrutinies should be mounted in Departments bearing directly on the public (revenue collection, delivery of benefits and employment services); and that areas of overlap or duplication with other agencies, especially local government and the nationalised industries, should be studied. This was agreed by Cabinet, as was the recommendation that the basic question "Why?" (ie the policy) should be asked, as well as the question "How?" (ie its administration).

CONTENT OF THE PROPOSALS

3. The proposals do indeed cover a good cross-section of Government and its external relationships. Generally, the emphasis is on administration rather than on projects likely to mean a radical review of policies. This will need watching for the future. There are some excellent projects, notably those on the Treasury Expenditure Divisions (Annex, item 5), the joint DE/DHSS review of services to the unemployed (item 11) and the DOE and Scottish and Welsh Office projects (items 15, 17 and 19). (I particularly welcome the Chancellor's proposal as it is germane to my conventions project, on which I am about to send you a minute. I am also glad to hear that the

CSD will be making arrangements to keep in close touch with the Chancellor's review so that any implications for its Supply Control responsibilities can immediately be registered.) Others are rather disappointing given the areas for which their Ministers are responsible, notably those from the Home Office (item 2), Foreign Office (item 4) and MSC (item 12).

Action 1

4. On the whole, the "mixture" of proposals is acceptable for round one and so I advise you to agree to most projects. May I specifically draw to your attention as Minister for the Civil Service, the Lord President's proposal to examine the Technical Services Division of the Central Computer Agency, which I include among the "acceptables" (item 1)?

Action 2

(Paras.

6 - 11  
following)

5. There are some however which, if you agree, I should like to query or qualify with the Ministers concerned. The reason for this is that in the "Rayner projects" now nearing completion we had to keep negotiations to a minimum in order to launch them quickly. In the new programme, I believe that the subjects chosen should be at least broadly worthy of it. The ones I would challenge or qualify are as follows:

a. Home Office (item 2)

6. The review of arrangements for staff training might be useful in terms of some of the general lessons to be learnt. However, I believe that for this round Ministers should select projects on either a significant or a characteristic part of their Department. I do not think that training falls into either of these categories, especially as the Prison Service is specifically excluded from the terms of reference. Subject to your views, I propose to press the Home Secretary for a subject in one

✓ of his larger areas of responsibility, perhaps the Immigration and Nationality Department. (I accept that the Prison Service has just been the subject of the May Inquiry and I should not be inclined to press for something there.)

b. Lord Chancellor's Department (item 3)

7. Charging users of the Public Record Office for admission does not take us into the heart of the Lord Chancellor's responsibilities. It is, I think, essentially a political decision - rather like charging for admission to museums. An area which probably offers scope for more significant savings is the courts administration, on which some 8,000 staff are engaged. Even if you were disposed to accept the PRO for round one, you might like to put down a marker that the courts administration should be included in round two.

c. Customs and Excise (item 6)

8. Although the proposed review of revenue control of the production and warehousing of spirits is useful, it involves a relatively small and not very characteristic area of the Department's work (only about 400 staff out of a total of 27,750). The Chancellor of the Exchequer might be invited to consider an additional scrutiny, eg looking at a large block of administrative work in the collection of VAT, on which 12,000 are employed, if not in this round, then certainly on the next.

d. Department for National Savings (item 7)

9. I am not sure that the rate at which Premium Bond records are converted from a manual to a computerised form is a suitable subject for the programme and I should like to discuss this with the Chancellor.

e. Manpower Services Commission (item 12)

10. Energy use is not "characteristic" of MSC activities, although it may be "significant" in terms of the resources consumed. Moreover, the PSA carried out a study of its Service-wide work on energy saving in the "Rayner project". The MSC is quite good at self-scrutiny and has several examinations in hand now, including a look at what it does for the unemployed. I propose to press the Secretary of State and the Chairman MSC for another subject. In the light of my brief for your visit to DE last Monday, my personal preference would be a project on the MSC's regional, area, district and local organisation, which is undoubtedly overblown but which top management seems to find too embarrassing to get to grips with.

*Area should be added*

f. Ministry of Agriculture, Fisheries and Food (item 14)

11. The Minister proposes the enforcement of grading standards for fresh horticultural produce. I sympathise with his reasons. This regulation is foolish and ought to be stopped; established producers get round it by downgrading their produce; but it is an EEC obligation and must go on. However, the scope of the project is limited. For comparability, I think that it could and should be extended to the certification of meat and meat processing.

EXEMPTIONS

12. I recommended in my minute of 30 August that each Department should have at least one scrutiny a year, with no Department automatically excluded, and that the executive and larger Departments should have more. Ministers in charge of the larger Departments have on the whole met this very handsomely.

13. Only the Chancellor of the Duchy of Lancaster has specifically asked to be left out. The Paymaster General has asked that his Department should be allowed to get on with its normal cycle of self-examination, merely extending reporting arrangements to include me. And the Foreign Secretary has asked that, if it is thought necessary for the Overseas Development Administration to undertake a scrutiny in addition to the current management review, the choice of subject should wait upon the outcome of the preliminary survey. My advice is as follows:

Action 3

a. The Office of Arts and Libraries is indeed very small. It would depend on the Department of Education and Science for project staff. I suggest that you should agree with Mr Stevas's suggestion that an OAL project should be undertaken every so often instead of a DES one, provided that we do not accept that the DES itself is a small Department: it consumes about £23m in staff and administrative costs which the average taxpayer would certainly think a lot of money.

Action 4

b. I do not think it a satisfactory arrangement that the Paymaster General's Office should simply show me the result of one of its normal management exercises. The scrutiny programme should be regarded as different from such exercises, which the PGO is not alone in undertaking, of course. (I think that there may well be a substantial question about the future viability of the PGO in Crawley, where it cannot keep the skilled staff it needs. No view need be taken on that yet.) I think that the PGO's relationship with DES on Teachers' Pensions would

follow on naturally from the "Rayner project"  
in DES and I suggest that that should be the  
subject of a scrutiny.

Action 5

*The Meeting of  
we may discuss for  
long no. of other functions  
I think whether the  
costs are properly  
calculated.*

c. The Overseas Development Administration is  
a large area of work. I think that the Foreign  
Secretary should be asked to carry out a scrutiny  
in addition to the management review (as the  
Minister of Agriculture proposes to do in his own  
case). However, I suggest that you agree to  
await the outcome of the management review pre-  
survey now in progress before fixing on a subject.

STARTING DATES

14. Most Ministers plan to start by January. The rest will start by March, except in the case of the Minister of Agriculture (April, item 14) and the Civil Service Department (May, item 1). No reason has been given by Mr Walker for the delay in starting. The CSD wishes to await the completion of the present re-organisation of the Central Computer Agency. In cases where more than one review is proposed, later starting dates are intended for some.

15. I do not think it matters if some projects start later than others. The main thing is that there is a commitment to a review or reviews within the terms of the programme.

MY ASSOCIATION WITH THE PROGRAMME

Action 6

16. If you agree, I should like to associate myself  
with all of the projects generally, eg through agreeing  
the terms of reference and the study plans and keeping  
in touch with the project officers as before. I have  
already circulated to Ministers in charge of Departments  
a detailed note of guidance on the conduct of projects.

This builds on the guidance given to project officials in the "Rayner project". It is not intended to be the last word. I find that I learn as I go along and the first round is meant to be a "pilot".

Action 7

17. There are 14 projects in which I should like to advise you to take an interest by associating me closely with them and by having the results reported to you. They are marked in the Annex, under the heading "PM" and are these:

<u>Annex item no</u>	<u>Department</u>	<u>Subject</u>	<u>Reason</u>
5	HM Treasury	Monitoring of central govt. expenditure.	Importance of the Chancellor's role as controller of Supply. Relevant to "conventions" project.
8	Inland Revenue	Issue of annual coding cards.	Importance of the Revenue as a large, staff-intensive department, and intrinsic interest of the subject.
9	Industry	Regional Development Grant Scheme.	Your interest in regional organisation. Intrinsic importance of the subject.
10, Project 4	Defence*	Promoting internal efficiency and effectiveness.	Importance of strong control of staff and staff-related resources under Ministers. Relevant to "conventions" project.
11	Employment + Social Services	Delivery of benefits to the unemployed.	Intrinsic importance of the subject; size of the staff committed.
12	MSC	See para. 10 above.	Your interest in the control of Quangos and in regional organisation

\* The MOD subjects are comparatively small beer, so I shall latch onto some of the larger reviews mentioned by Mr Pym in his minute to you of 23 November, as well as continuing to follow up Mr Ponting's study of food procurement.



<u>Annex item no</u>	<u>Department</u>	<u>Subject</u>	<u>Reason</u>
15, Project 1	Environment	Financial control over the Water Industry.	Your interest in Quangos; importance of financial control; relevant to "conventions" project.
15, Project 2	Environment + Transport	DOE/DTpt regional organisation.	Your interest in regional organisation; size of staff commitment.
17	Scottish Office	Scottish Development Dept. activities in respect of local authority planning.	Importance of central/local government relationships.
20	Northern Ireland	Financial control.	This is one of the Depart- mental ends of financial control and is a good com- parison with item 5, above.
21, Project 1	Social Services	DHSS support for health care exports <del>etc.</del>	Government's relationship with industry in an area with which I have some familiarity.
21, Project 2	Social Services	Checking and query- ing National Insur- ance records.	Size of (DHSS and Inland Revenue) staff committed; importance of the Social Security system.
23	Energy	Economic and statis- tical services.	See para. 21 below.
25	Transport	Enforcement of VED.	General importance of revenue and of enforcement procedures; size of staff committed.

18. I would sum up the reasons for this selection by saying that, for my part, my participation in detail should be limited to those subjects which are either intrinsically very important or raise issues of general principle. But I accept that those suggested may be too many for you and that you would like to star only a few of them for reporting to you.

## MINISTERIAL SUPERVISION

19. You will see from the Annex that it is not yet known which Ministers will direct some projects. But several senior Ministers will take charge of some reviews. They are the

Chancellor of the Exchequer (items 6 and 8, but not 5).

Secretary of State for Employment (jointly with the Minister for Social Security) (item 11).

Minister of Agriculture (item 14).

Secretary of State for the Environment (jointly with the Minister of Transport) (item 15, Project 2).

Secretary of State for Wales (item 19).

Secretary of State for Trade (item 22).

Secretary of State for Energy (item 23).

Minister of Transport (item 25).

20. Junior Ministers will be in charge in other cases (except the MSC and HSC, whose chairmen will superintend). I am a little worried about some of these. I will, if I may, raise this with you orally; determination in supervision and follow-through to implementation is all important.

Action 8

## REVIEW OF STATISTICAL SERVICES

21. The "Rayner project" included a very useful review of statistical services in the Departments of Trade and Industry. The Secretary of State for Energy now proposes a review of his economic and statistical services. I have been consulted by Sir Ian Bancroft and Mr Boreham about the possibility of including statistical services in a few other large departments, as part

of the round one exercises. These would contribute to a general examination of statistical work in Government, including that of the Central Statistical Office. I am sympathetic with this idea. I understand that Mr Channon will be submitting proposals to you shortly and that they should not involve Ministers in much extra work. The basic idea is to look at services in the round and in Departments, if you agree, under my direction.

#### INTERDEPARTMENTAL PROJECTS

22. You will see that one of the most important proposals has been submitted jointly by the Secretaries of State for Employment and Social Services (Annex, item 11). The proposal review of statistical services (para. 21 above) would also deal with work which was not the property of one Minister. This is a natural and welcome development because there are several areas where thorough examinations can only be undertaken inter-departmentally. I should like to consider how such projects might be promoted in future.

#### CENTRAL DEPARTMENTS

23. I have found it necessary to consult officials of the central departments (CSD, HM Treasury and CPRS) on the "Rayner project" reports. This is because your interest as Minister for the Civil Service and head of Government and those of the Chancellor of the Exchequer are often affected. I value the generally good quality of the advice I have received.

24. I propose to consult the central departments again during the new round and to let this be known. I have already made the obvious point that it would be wise for project officers to consult other Departments, including the central Departments, during their work and I shall take appropriate opportunities to re-emphasise this.

SUMMARY OF RECOMMENDATIONS AND NEXT STEPS

25. I invite you

Action 1  
(para. 4)

to agree to most projects.

Action 2  
(paras.  
6 - 11)

to agree that I should on your behalf query some (Home Office, Lord Chancellor's Department, Customs and Excise, Department for National Savings, Manpower Services Commission and Ministry of Agriculture, Fisheries and Food);

Action 3  
(para. 13a)

to agree that an Office of Arts and Libraries project should be undertaken occasionally instead of a DES one;

Action 4  
(para. 13b)

to agree that there should be a project in the Paymaster General's Office;

Action 5  
(para. 13c.)

to agree that the Foreign Secretary should be invited to select a project for the Overseas Development Administration in the light of the management review preliminary survey;

Action 6  
(para. 16)

to agree that I should associate myself with all the projects generally;

Action 7  
(para. 17)

to agree to interest yourself in certain projects by associating me with them and by having the results reported to you;

Action 8  
(para. 20)

to allow me to raise with you the question of Ministerial supervision.

26. I suggest that the next steps should be as follows:

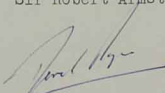
a. Those Ministers with whose proposals you are content should be so informed to enable planning to go ahead, including telling the Departmental Staff Sides and any other interests which ought to be consulted. Clearance can be conveyed by my unit if you wish.

b. I should now query their proposals with other Ministers in an attempt to arrive at better suggestions quickly.

c. The complete round one programme should then be circulated for the information of all Ministers.

d. Parliament (and the National Staff Side) should then be informed of the round one programme and, reading across from my other minute on the Rayner projects, para. 24, given some report on the content and outcome of the Rayner projects.

27. I am copying this to Sir Ian Bancroft and Sir Robert Armstrong.



Derek Rayner  
30 November 1979

Enc: Summary of Ministers' proposals