

PRIME MINISTER

THE SCRUTINY PROGRAMME 1981

1. Most Ministers have now replied to your private secretary's letter of 1 December seeking proposals. A summary is attached. This minute contains the advice of the Lord President and myself on your response.

COVERAGE OF THE PROGRAMME

2. Ministers were invited to choose topics from characteristic areas in a significant part of their departments' activities. This will be a crucial year for the success of the Government's civil service manpower policy. Mr Whitmore's letter therefore suggested that Ministers in charge of the larger employing departments might think it particularly important that some, if not all, of their scrutinies should focus on manpower intensive areas.

3. On the whole, the list of proposals is disappointing. There are some quite large subjects and some interesting ones. But there is no "star turn" like last year's DE/DHSS exercise; some proposals just will not do: and the likely savings from the proposals made would be less than in 1979 or 1980. The main considerations are these:

- a. The proposals appear to cover about 8,000 posts. That is no more than the total recommended savings from last year's scrutiny programme.
- b. The Government's policy for Civil Service manpower needs to save 14,000 posts a year from greater efficiency (ie the 2% a year budgeted for in most of the manpower targets). The Lord President's view is that, as few scrutinies can be implemented in the year they are undertaken, especially the "Johnston" type, the Government needs to look to

each year's scrutiny programme to produce at least savings of the order of 1980's scrutiny programme.

- c. If we assume that the average recommended saving will be 15%, this year's scrutiny programme should cover 40,000 - 50,000 posts to achieve a potential result like last year's.
- d. Over 60% of the Civil Service (450,000 posts) is accounted for by three Ministers - the Chancellor and the Secretaries of State for Defence and Social Services. But their proposals for 1981 cover no more than some 3,000 - 4,000 posts. The Lord President believes that each of these Ministers needs at least one "Johnston" type scrutiny.

AGREED OR ACCEPTED PROPOSALS

4. You have already consented to or authorised the following:

- HM Inspectorate of Schools (Nos. 17 and 24  
in the Annex)
- The Northern Ireland Employment Service (No. 19).

Rec. 1

5. I recommend that you agree now to the following and that I should press for additional scrutinies as indicated.

Home Secretary

✓

<u>Subject</u>	The Forensic Science Service - Annex No 1 - (also relevant to the Service-wide review of R & D supporting services).
<u>Cost</u>	£15m
<u>Remarks</u>	The proposal is about <u>containing new demands</u> rather than making economies. I may want to suggest to the Home Secretary that he considers whether a <u>second topic</u> can be found.

Chancellor of the Exchequer's Departments

- Customs and Excise

✓

<u>Subject</u>	VAT registration procedures - Annex No 4.
<u>Cost</u>	£5m
<u>Remarks</u>	I suggest that "de-registration" should also be covered by the examination.

- Customs and Excise

✓

<u>Subject</u>	Customs attendance outside normal hours ("trade facilitation") - Annex No 5.
<u>Cost</u>	Not known
<u>Remarks</u>	I suggest that the examination should extend into <u>wider customs procedures</u> to take in a significant proportion of the work of the 7,500 staff engaged on exports and imports work.

- Inland Revenue

✓  
Subject Inland Revenue PAYE files - Annex No 7.  
Cost 200 - 300 man years

- Inland Revenue

✓  
Subject Inland Revenue repayment procedures - Annex No 8.  
Cost 1300 staff units  
Remarks This and the PAYE scrutiny are two useful, but narrow, topics. I would hope to examine the whole administration of a tax and will pursue this with the Inland Revenue.

Minister for the Civil Service

✓  
Subject CSD delegations to departments - Annex No 11.  
Cost Not known, believed substantial  
Remarks This scrutiny could provide lessons applicable more widely. The Minister is also considering a scrutiny of the actuarial services provided by the Government Actuary's Department.

Secretary of State for Employment's Departments

- Manpower Services Commission

Could we delay this?  
It will be mid-80s needed  
ml  
Subject MSC re-settlement work for the disabled - Annex 13.  
Cost £14.3m  
Remarks Sensitive in the International Year of the Disabled; but important to get good value when disabled people are facing great difficulty. The Lord President thinks that

the MSC should be able to undertake a second scrutiny this year and, if you agree, I will register this point with the Secretary of State.

- Health and Safety Executive

✓ Subject HSE certification of products - Annex No 14.  
Cost £2m  
Remarks Certification policy has implications for exports.

Secretary of State for the Environment

- Department of the Environment

✓ Subject Control of administrative costs in DOE - Annex No 15.  
Cost £44m  
Remarks Follows on MINIS. I welcome it but have already indicated to Mr Heseltine that, as it is a "systems" exercise, I consider a second scrutiny of a function is also called for.

- Property Services Agency

Subject PSA custody service - Annex No 16.  
Cost £6.2m

*I said there a higher scrutiny?*

Secretary of State for Social Services

✓ Subject Final relevant year provision for State Pensions - Annex No 20.  
Cost 150 man years

Secretary of State for Social Services

Subject Handling of casework in headquarters - Annex No 21.

Cost £7m

Remarks So far there has not been a large scrutiny on health matters. I am pursuing this with the departments, as also the question of a possible scrutiny in the Office of Population Censuses & Surveys. The Lord President is strongly of the view that as 94,000 of the DHSS's 98,000 staff are on its social security side, another "Johnston" type scrutiny should be sought there. His candidate (which would cover over 12,000 staff) is the administrative efficiency of retirement pensions (the subject of an imminent internal review) which he would like expanded to cover:

- Supplementary pension (1.5m pensioners) and
- Possible administrative links between occupational and retirement pensions.

Secretary of State for Trade

Subject Handling of routine prosecutions in the provinces - Annex No 22.

Cost £370,000

Remarks I am content to accept this. The Department is carrying out numerous other studies. It would like me to associate myself informally with one of those, to which it attaches great importance, namely the organisation of its personnel and finance work, ie although conducted on scrutiny lines

this would not appear in the formal list of scrutinies. I agree that this is an important subject and, given the other work in progress, I am content to accept an informal association with it, provided you and the Secretary of State agree.

Minister for the Arts

✓  
Subject V & A and Science Museums - Annex No 25.

Cost £15m+

Secretary of State for Transport

Subject Winter maintenance of trunk roads and motorways - Annex No 27.

✓  
Cost £4.9m

Paymaster General

Subject Declarations of entitlement for public service pensioners - Annex No 29.

Cost £70,000

✓  
Remarks Mr Pym suggests it may not be appropriate for the smaller departments to have a scrutiny each year. I have some sympathy with this view but feel it is still right to accept the suggested topic for this year.

6. If you are content, my office will give the necessary clearance for the proposals listed above.

*Am worse it don't  
the M.S.C. 'disallowed'  
scrutiny this year.  
not*

PROPOSALS WHICH ARE NOT ACCEPTABLE

7. Given the criteria in paragraph 2 above, I find the following proposals of doubtful acceptability. The Lord President agrees.

Foreign Secretary

<u>Subject</u>	Transmission of papers - Annex No 2.
<u>Cost</u>	£1.4m
<u>Remarks</u>	I would expect this type of subject to be covered in the normal management processes of the Department. I am writing to the Department asking for a different subject.

Chancellor of the Exchequer's Departments

<u>Subject</u>	Typing and <u>secretarial services in HM Treasury</u> - Annex No 3.
<u>Cost</u>	£1m
<u>Remarks</u>	Typing will be covered in a CSD study this year, which could be extended to include secretarial services. I myself should prefer something like the way in which the Treasury assesses the quality of financial control systems in departments.

- Department for National Savings

<u>Subject</u>	Post Office errors affecting National Savings - Annex No 6.
<u>Cost</u>	£0.7m
<u>Remarks</u>	I have already told the Chancellor that having had two small subjects earlier, I was looking for something larger. The Lord President and I are in correspondence with him about this and related matters.



- Inland Revenue

Subject Valuation Office assistance to Property Services Agency (Valuation of civil estate); computerisation of rating and valuation data - Annex Nos 9 and 10.

Cost £140,000 and £850,000+ respectively

Remarks Interesting but minor and capable of handling through the normal processes of management. The Lord President and I think that a better subject can be found in the administration of a particular tax (eg Schedule D - self-employed - which employs about 12,000 people). In the Valuation Office a better topic would be how rating assessments are made.

Secretary of State for Employment

Subject Management information system for Unemployment Benefit Service - Annex No 12.

Cost Not known

Remarks Interesting - follows on from 1980 Johnston exercise - but is for normal management. I have written to the Department asking for a different subject.

Secretary of State for Wales

Subject Levels of field inspections for livestock allowances and premia - Annex No 18.

Cost £170,000

Remarks Also for the normal processes of management. I have written to the Welsh Office asking for a bigger subject, eg the expansion of this one to cover the whole of ADAS in Wales.

Secretary of State for Energy

Subject Departmental Registries - Annex No 23.

Cost Not stated

Remarks The Treasury "Rayner project" in 1979 was on registry services which was acceptable for the first round. This is not. I have written to the Department asking for the examination of part of its organisation or (preferably) of its "sponsor" relationship with one or more of its Nationalised Industries.

Secretary of State for Transport

Subject Organisation of Traffic Area Offices - Annex No 26.

Cost Said not to be 'material'.

Remarks Also for the normal processes of management. Moreover, I understand that DTp and CSD are already reviewing the efficiency of the TAOs as part of the read-across from earlier projects/scrutinies. I have suggested to the Department instead either the productivity of Driver Testing Centres or the administration of Transport Supplementary Grant and the Associated Transport Policy Plans.

Rec. 2

8. I recommend that you should withhold your approval from these proposals and authorise me to seek stronger candidates.

MINISTERS WHO HAVE NOT REPLIED

9. The following Ministers have not yet replied to Mr Whitmore's letter. I will offer advice separately when they have.

Secretary of State for Industry

Following representations made to Lord Trenchard and me by HM Ambassador to Japan, at least one subject is likely to be the promotion of foreign investment in the UK (which involves a multiplicity of agencies).

Secretary of State for Defence

I think that the Minister's proposals will include:

<u>Defence Sales:</u>	Already agreed
<u>Financial Management:</u>	Very acceptable
<u>Organisation of telecommunications:</u>	) } Acceptable
<u>Group Passenger Travel (HM Forces):</u>	
<u>Apprentice training:</u>	
<u>Information dissemination:</u>	

I have had several informal exchanges with senior officials. Depending on what the Minister says, it may be necessary to press for extra subjects (eg a discrete organisation or a tri-service subject like pay) BUT the subjects set out above compare well with those of many other Ministers. The Lord President's view is as follows:

"The possible Defence scrutinies, though interesting, will not contribute seriously to meeting that Department's manpower targets. They must be pressed and pressed hard, given the meagre manpower returns from their previous projects and scrutinies, to tackle manpower-intensive areas. There are about 66,000 civilians in command and support services. A good single service subject might be

to take one of the service commands and scrutinies the administrative support. One might also take the Directorate General of Ships (2,000 staff) in Bath, though I don't think this would be large enough by itself. Previous scrutinies have given an insight into the difficulties of getting action on subjects which involve all three services. A single service subject should give some insight into the vertical efficiency of the services and might get quicker results. I recognise that if two such subjects are added the MOD will have a programme of 7 or 8 scrutinies. But we should not forget that Defence accounts for about a third of Civil Service manpower. A contribution on this scale would not be out of proportion to the resources they deploy therefor nor should it impose an unacceptable burden on management".

The Minister of Agriculture, Fisheries and Food

The proposed scrutiny of brucellosis testing has been withdrawn. I understand that a revised proposal (Fisheries Research) is on its way. (This is also relevant to the Service-wide review of R & D supporting services).

POSSIBLE EXCEPTIONS

10. The Lord Chancellor has not made any proposal for this year because his Department is undergoing a management review which, in examining large parts of the courts administration, will effectively be doing a scrutiny (unlike earlier management reviews). He is also to undertake a review of the Bailiff Service and is considering the future of the Public Trustee. However, it might be possible to find a suitable subject for scrutiny, perhaps in one of the Lord Chancellor's secondary departments. The

Rec. 3

administration of Legal Aid is one potential candidate; another might be found in the Land Registry (5,850 staff, £39.5m); I do not see either the Public Records Office (430 staff, £4.5m) or the Public Trustee (330 staff, funded by fees) as obvious candidates. I recommend that you authorise me to pursue this on your behalf.

MY ASSOCIATION WITH THE PROGRAMME

11. All examining officers will be able to look to my staff for help and counsel. I shall agree the terms of reference and the study plans for all scrutinies and provide all examining officers with detailed notes of guidance for their work.

12. I shall be able to advise you on the full range of scrutinies in which you might wish me to take a particular interest on your behalf when there is a list of agreed topics, but of those noted above for approval now I see the following as in that category:

- ✓ Forensic Science Service (Home Office)
- ✓ Delegated authority (CSD)
- ✓ VAT registration (Customs and Excise)
- ✓ Repayment procedures (Inland Revenue)
- ✓ Control of administrative costs (DOE)
- ✓ Casework at HQ (DHSS)
- ✓ Museums (DES)

13. You have already indicated that I should take a particular interest in the following subjects:

- ✓ Defence Sales (MOD)
- ✓ Inspectorate of Schools (England, Scotland and Wales)



SUMMARY

14. I should be grateful for your agreement to:

- Rec. 1  
(para. 5)
- Rec. 2  
(para. 8)
- Rec. 3  
(para. 10)

- acceptable scrutinies;
- the action I propose on scrutinies which are of doubtful acceptability; and
- the action I propose with regard to the Lord Chancellor.

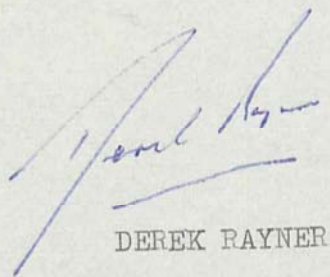
*- See p. 4. (initials)  
otherwise agreed*

*Agreed*

*leave him alone this year.  
mt.*

15. I am copying this to the Lord President, Sir Ian Bancroft and Sir Robert Armstrong.

CONFIDENTIAL

  
DEREK RAYNER

30 January 1981