



From the Secretary of State

Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
London, SW1

18th January 1982

Dear Clive,

THE EFFICIENCY STRATEGY 1982 - THE SCRUTINY PROGRAMME

Your letter of 15 December invited proposals for the scrutiny programme in 1982.

Officials here have been in close contact with Baroness Young on the efficiency strategy and in consequence my Secretary of State has agreed that the Department of Trade should participate in two of the three co-ordinated reviews which are part of the strategy. The Coastguard Service will be the subject of a resource control review and we will also take part in the study of systems for estimating, monitoring and controlling Departmental running costs.

Following the meeting of E(NI) on 3 December, he has given further thought to the proposal for a Rayner scrutiny of relations between sponsoring Divisions and nationalised industries. He is not convinced that a Rayner scrutiny is necessarily the right response to the CPRS Report. Instead, officials are pursuing with MPO the idea of an "organisation development" exercise on our sponsorship of either the British Airports Authority or British Airways.

We have a contribution to make to the scrutiny programme in the form of a look at one aspect of our supervision of insurance companies. This is an important regulatory activity and fits well with the areas suggested for review in your letter, though as you will see there are good reasons for delaying its start until November.

I am copying this letter to Sir Derek Rayner and Sir Robert Armstrong.

Yours Sincerely,
Jonathan Rees

J N REES
Private Secretary



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(a) Subject

The Department of Trade's practice relating to the supervision of insurance companies. This supervision is at present carried out by administration group staff in Insurance Division with advice from the solicitors and accountancy services divisions (which provide a common service to the Department and the Department of Industry) and also from the Government Actuary's Department.

(b) Cost

The number of staff at present employed on this work is 62. The salary cost (1981-82) is estimated at £600,000.

(c) Reason for selection

The purpose of the review will be to consider whether supervision could be exercised equally effectively and more economically by employing a predominantly professional staff. Although experienced administration group staff are effective, those with a professional background would require less on-the-job training and might be able to work more quickly. A change in the type of staff would mean higher average salaries so it would probably not be worthwhile unless the reduction in total numbers employed was significant.



(d) Terms of reference

To review the work of insurance supervision so far as it relates to authorisation, changes of control and personnel, scrutiny of returns and intervention in company affairs, with a view to deciding whether the appropriate work could be done more economically by fewer staff in total by using more with professional qualifications.

(e) Proposed starting and finishing dates

It is not proposed to start the review until November 1 1982. From July 1982 insurance company returns will be submitted in a new form enabling much more information to be computerised and to be processed rapidly. Until this important change in working method has been brought into operation it would be pointless to review the operation of the system. Three months for the review should suffice. The time for implementation is not predictable. If it requires the recruitment of additional professional staff it will take longer than otherwise.

(f) Names of examining officers

As the review cannot begin for several months it is not proposed to nominate examining officers or settle reporting arrangements immediately.



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