



01-405 7641 Extn

cc BG
ROYAL COURTS OF JUSTICE
LONDON, WC2A 2LL

NBN.

The Rt. Hon. John MacGregor, MP,
Chief Secretary,
H.M. Treasury,
Parliament Street,
LONDON, SW1P 3AG.

29 May 1986

Dear John,

PUBLIC EXPENDITURE SURVEY: ADDITIONAL BIDS

I set out below additional bids and an off-setting saving for the Treasury Solicitor's Department. His Department's Votes also provide for my own Department.

(1) Wytch Farm: Monitoring Expenses

Provision is required for the legal costs of monitoring an agreement between the British Gas Corporation and HM Treasury and the Dorset Bidding Group relating to the Wytch Farm Oil Field. Under the agreement the Treasury expect to receive in the order of £130 million in the first instance and a net production interest in oil saved and won by members of the Bidding Group. The agreement has been assigned by the Treasury to the Treasury Solicitor without consideration. The net production interest is to be monitored for a period of about three years. This work is very specialised and private firms with the necessary expertise are to be invited to submit tenders. Estimates of the costs indicate annual expenditure of about £25,000.

The provision sought for the non-cash limited Vote is therefore 1987-88 £25,000, 1988-89 £26,000 and 1989-90 £26,000.

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(2) Accommodation: Queen Anne's Chambers

The Treasury Solicitor has been faced with a very large and unforeseeable increase in the accommodation charge for Queen Anne's Chambers. When PRS was introduced the PSA placed the building in the "Central London C" category, but recently (and on policy grounds) it was uprated to "Central London B". This produced a sudden increase in the cost of £876,000. From the current year however the PSA has changed its charging from an average cost for the category to the actual cost of the building and this has produced a substantial saving. A re-examination of the occupation has enabled a small block of rooms to be given up reducing the cost further. The net effect of these reductions has been to reduce the additional provision sought to, 1987-88 £549,000, 1988-89 £563,000 and 1989-90 £577,000.

(3) Rayner Scrutiny Action Plan: Support Groups

The scrutineer's report recommended, inter alia, the setting up of support groups in the Treasury Solicitor's litigation divisions to improve their efficiency by releasing lawyers and members of higher grades in the administration group from the more routine work. Output from the divisions would therefore be expected to rise together with a reduction in the turnround time in dealing with correspondence. A working party considering these support groups recommended a staff of twelve typists (probably agency typists) and six clerical assistants for them. Only five typing posts would be available from the existing complement and therefore provision is sought for an additional thirteen staff. Including the necessary additional office machinery the estimated additional cost would be, 1987-88 £187,000, 1988-89 £177,000 and 1989-90 £182,000.

(4) Pay

As a result of having to absorb over several years the cost of pay increases in excess of the built-in assumptions, the provision to meet



the pay of both the Treasury Solicitor's and my own departments is very considerably below that required. A particularly heavy burden was imposed last October by the removal of the upper limit for the Earnings Related National Insurance Contributions. Whilst every effort is made to reduce costs, the pay and accommodation costs form a large proportion of the total running costs of small departments so that the scope for savings is very limited. By way of illustration the actual expenditure for 1985-86 shows the following break-down:-

	Treasury Solicitor's Department	Law Officers' Department
	%	%
Pay	65.4	58.0
Accommodation	21.9	14.7
Agency Typists	5.2	2.1
Ministerial Vehicles	-	10.1
Other running cost expenditure	7.5	15.1
	<hr/> 100.0	<hr/> 100.0

Further pressure will build up from the current pay round and the restructuring of the legal class but, without taking these into account, the estimated additional requirement is for 1987-88 £478,000, 1988-89 £490,000 and 1989-90 £502,000.

(5) Crown's Nominee Costs

A further examination of the costs charged for administering estates which are bona vacantia reveals that the offsetting receipts can be increased. Staff costs are a large element in these costs. The estimated increase in receipts is 1987-88 £216,000, 1988-89 £221,000 and 1989-90 £227,000.

A table summarising the proposals is attached.



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I have considered these proposals and can see no further scope for significant savings without impairing the ability of these departments to function efficiently and effectively.

I should finally add that I have recently succeeded in negotiating a change to the procedure for directing the disposal of charitable bequests which would otherwise fail for uncertainty. Hitherto such directions have been made by Her Majesty on the advice of the Home Secretary based on my opinion. Under the new system the Home Office and the Palace will be cut out entirely and I shall myself make the direction under a warrant granted to me by Her Majesty. This should serve to speed up the procedure and will cut out the administrative costs of carrying out this function in the Home Office and the Palace.

Yours GC.
Michael.

Copies of this letter go to the Prime Minister and the Lord President.



SUMMARY OF ADDITIONAL BIDS FOR THE TREASURY SOLICITOR'S DEPT.

	1987-88 £	1988-89 £	1989-90 £
<u>Programme Expenditure</u>			
(1) Wytch Farm: Monitoring Expenses	25,000	26,000	26,000
<u>Running Costs</u>			
(2) Accommodation: Queen Anne's Chambers	549,000	563,000	577,000
(3) Rayner Scrutiny Action Plan: Support Group	187,000	177,000	182,000
(4) Pay	478,000	490,000	502,000
<u>Offsetting Savings</u>			
(5) Crown's Nominee Costs	-216,000	-221,000	-227,000





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29 May 1986

The Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

NBP 7.

Dear John

PUBLIC EXPENDITURE SURVEY 1986: CROWN PROSECUTION SERVICE EXPENDITURE

I write in accordance with PES(WM)(86)7 to bid for an increase in the public expenditure survey baseline of the Crown Prosecution Service for each of the survey years.

Details of the bid are given at Annex A. It has two main elements:-

- (a) bringing the 1985 public expenditure survey into line with the 1986/87 Estimate provision;
- (b) new work not in the current baseline.

I will deal with each in turn.

As the Crown Prosecution Service had not begun at the time of the 1985 PES the figures provided then were most uncertain. The 1986/87 Estimate is based on the more up-to-date information available from the implementation process and resulted in increases of £15.833 million for Class XX Vote 26 and £2.891 million for Class XX Vote 27 (these two Votes correspond precisely with PES Programmes 090802 and 090102 respectively). The PES baseline has



in consequence been revised and provision has also been made for an underlying volume assumption of an increase in casework of 5% per year. Inflation has been assumed to be 5%, 4% and 4% respectively for each of the survey years except in that element of Programme 090102 which concerns Counsel Fees. The Bar has made a claim for an increase of up to 40% and has pressed its case strongly enough to force, and win, a judicial review of the Lord Chancellor's Department's handling of the negotiations. The bid therefore includes an increase of 20% at 1986/87 prices in respect of Counsel Fees.

These more accurate Estimates produce a revised baseline which makes up the whole of the bid for Programme 090102. There is one item of new work which is fees for receivership in the case of confiscation of the proceeds of drug traffickers - a Home Office initiative. They also form a substantial part of the bid for Programme 090802 but in this case there is also a need for additional resources to fund other new work given to the Crown Prosecution Service since the 1985 survey. The principal items in a regrettably long list are:-

- (a) Advance disclosure - this is a consequence of the Magistrates' Courts (Advance Information) Rules 1985 (SI 1985 No. 601) and no Estimate of the resources necessary could be made at the time of the 1985 Survey. The cost consequences are now seen as likely to be significant.
- (b) Payment of witness expenses - in the absence of any other department willing to take on this work it has fallen to the Crown Prosecution Service.
- (c) Bail applications - a new function as a consequence of the Prosecution of Offences Act 1985, the cost of which could not be estimated at the time of the 1985 Survey.



- (d) Specified proceedings - the proceedings specified as not being within the remit of the Crown Prosecution Service were not defined as widely as was expected at the time of the 1985 Survey.
- (e) Introduction of time limits - a Home Office initiative.
- (f) Tape-recording of evidence - a further Home Office initiative.

No provision has been made for any extra work which may result from the Home Secretary's proposals on extradition. Here, I must emphasise that we are relying on the Home Office assessment that savings from proposed procedural changes will offset any increased costs arising from an increased volume of extradition traffic.

Annex B shows a summary of the contributions of the revised baseline and this new work to the bid for Programme 090802. The associated gross running costs are shown at Annex C. My officials are letting yours have fuller details of these bids.

The substantial increase in this PES round for the Crown Prosecution Service arise from a set of complex reasons. The Service itself however is a simple department. It exists to take over the conduct of cases instituted by the police. This is a single programme of work completely dependent on other departments both for the volume of its work and the environment in which it must pursue its business.



The single Programme means that no offsetting savings can be made in other parts of its work. The simplicity of the Service's task also means that the consequence of insufficient funds is equally simple. The work cannot be cancelled, nor can it be postponed for any period of time which would be financially useful. It therefore has to be done and if we do not have the resources to do it ourselves then we have to pay someone else to do it for us. An outside agent costs considerably more than a full time lawyer in the Civil Service and insufficient funds therefore mean, paradoxically, increased costs. This direct and inverse relationship between the number of staff in the Department and the number employed from the private sector is probably unique to the Service.

I am sending a copy of this letter to the Prime Minister and the Lord President.

Yours etc.

Michael.

ANNEX A

1986 PES BID - CROWN PROSECUTION SERVICE

£000's

<u>P.E.S. PROGRAMME</u>	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
090102 1986	44,145	48,155	52,542
1985 Baseline	<u>42,240</u>	<u>43,284</u>	<u>44,366</u>
BID	<u>1,905</u>	<u>4,871</u>	<u>8,176</u>
090802 1986	123,135	133,723	145,514
1985 Baseline	<u>70,681</u>	<u>72,718</u>	<u>74,536</u>
BID	<u>52,454</u>	<u>61,005</u>	<u>70,978</u>
TOTAL BID	<u>54,359</u>	<u>65,876</u>	<u>79,154</u>

ANNEX B

PES 1986 PROGRAMME 090802

£000's

	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
Baseline	109,548	119,127	129,576
New Work	<u>13,587</u>	<u>14,596</u>	<u>15,938</u>
	<u>123,135</u>	<u>133,723</u>	<u>145,514</u>

ANNEX C

GROSS RUNNING COSTS

£000's

	<u>1987-88</u>	<u>1988-89</u>	<u>1989-90</u>
1986 PES	118,185	128,812	140,413
1985 PES	67,911	69,949	71,698
BID	<u>50,274</u>	<u>58,863</u>	<u>68,715</u>

