

PRIME MINISTER

In June you decided it would be useful to have two presentations on financial management. The first was on the role of the central Departments, and was held in September.

The second is on one Department's systems for controlling running costs. This is to be given by the Department of the Environment tomorrow at 1100.

I suggest the presentation should be held in the large Dining Room, like the last one. Mr. Heseltine himself will give the presentation, bringing officials into the discussion as necessary.

A brief by David Allen from Sir Derek Rayner's Office is attached, and a note from the Department of the Environment on what the presentation will cover is opposite.

I might mention that David Allen leaves Sir Derek Rayner's Office at the end of this month. He was formerly an economic adviser in the Treasury and will return there after a period of unpaid leave. His main work in Sir Derek's Office has been on the scrutiny of Departmental running costs. He will be at the presentation tomorrow, and you may wish to wish him well in his new post if there is an opportunity to do so.

Willie Rickett

10 November 1981



CF.

10 DOWNING STREET

THE PRIME MINISTER

13 November 1981

Dear Michael,

I would just like to thank you, and George Moseley, and all the officials who took part in the presentation on Wednesday. It was fascinating and informative.

It is vital that every Government Department has in place a proper financial information and cost control system, and I congratulate you and your officials for tackling this very important problem in such a determined way. I hope other Departments will follow in your footsteps. I will do all I can to help them down that road.

Yours

Raymond

The Rt. Hon. Michael Heseltine, M.P.

dl

p. 1

PRESENTATION TO THE PRIME MINISTER BY THE DEPARTMENT OF THE ENVIRONMENT
THE CONTROL OF DEPARTMENTAL RUNNING COSTS

Programme

Time: 11 November 1981
11.00 am - 12.00 am

Place: Large Dining Room
No.10 Downing Street

Those Present

Prime Minister	Secretary of State for the Environment	
Mr J S Cassels	Mr G W Moseley	Permanent Secretary
Treasury representative	Mr K F J Ennals	Principal Establish- ments Officer
CSD representative	Mr G H Chipperfield	Head of Central Policy and Research Directorate
	Mr D T Routh	Ex Regional Director West and East Midlands
	Mr J Coates	Director London Region PSA
	Miss S Booth	Implementation Officer for Joubert Study
	Mr H Derwent	Rayner Study Officer

The Secretary of State for the Environment will introduce and conduct the presentation. Members of the team will speak on their areas of responsibility.

The presentation will cover:

- The Department: manpower and running costs
- Control of staff costs: MINIS
manpower budgetting
- Control of running costs: what the annual scrutiny shows
past methods of control
- Current initiatives to reduce running costs
- The Joubert proposals: what the system will achieve
implementation
timetable
implications for staff and management

MR RICKETT

DEPARTMENTAL RUNNING COSTS: PRESENTATION TO THE PRIME MINISTER
AT 11.00 AM, WEDNESDAY 11 NOVEMBER AT 10 DOWNING STREET

Those Present -

1. The Secretary of State will head up a DOE team consisting of -

Mr G W Moseley (Permanent Secretary)

Mr K F J Ennals (Principal Establishment Officer)

Mr G H Chipperfield (Principal Finance Officer)

Mr D T Routh (Formerly Regional Director of West Midlands and
East Midlands; now in HQ)

Miss S Booth (Principal, heading up team charged with implementing
Joubert scrutiny recommendations)

Mr H C S Derwent (HEO(A), who assisted Mr Joubert in the scrutiny
of estimation, monitoring and control)

Mr J R Coates (Director of PSA London Region)

2. Mr J S Cassels and I will attend from Sir Derek Rayner's office
(Sir Derek Rayner is abroad on M & S business). There will also be one
representative from each of the Treasury and CSD (names to be confirmed)

Origins and Purpose

3. The Prime Minister invited the Secretary of State to give a
presentation on the methods used to control running costs following the
first annual scrutiny of running costs and the subsequent report to
Cabinet. (This year's annual scrutiny has just completed and a report
will go to Cabinet at the end of this month.) The presentation has
had to be postponed twice owing to pressure of other business - it was
first scheduled to take place on 16 September.

4. The presentation is intended for information only. It is an
opportunity for the Prime Minister to be informed of and to ask questions
about the efforts of one department to improve its control over staff and
other administrative expenditure and, if she likes what she hears, to
endorse those efforts.

Top 10 priorities - this is
important

Built-in inflation
factor

Harvard - distribution
Proctoring

Shape of Presentation

5. Approximately 30 of the 60 minutes allowed for the presentation will be taken up by the presenters, with the remainder available for questions.

6. The Secretary of State intends to start off the presentation and bring in his officials as he goes along, to expand and develop the various subject headings. He also intends that questions should be taken as they arise rather than at the end.

7. The general theme will be how the department budgets, monitors and controls running costs. The emphasis will be on the improvements that have been and are being made, rather than on the sins of the past, with particular emphasis on the findings, recommendations and implementation of the "cost centre" report by Mr C J P Joubert, an Economic Adviser in DOE, who is at present abroad.

8. DOE will be sending over early next week an agenda of topics to be covered. These are likely to include -

- Ministerial information needs
- Annual scrutiny of running costs
- MINIS and manpower control generally
- Ad hoc initiatives (eg reductions in accommodation)
- Joubert findings
- Joubert recommendations
- Joubert implementation
- Management needs of a line manager and how Joubert will help

9. I annex a short background note on the two main initiatives of the Secretary of State in this area (MINIS and "Joubert") and on how Sir Derek Rayner is planning to achieve "read across" to other departments.

Some Questions

10. The Prime Minister may wish to defer questions until after the speakers have finished. She might find it particularly helpful to draw into the discussion of the Joubert proposals the two junior officials

closest to the subject: Mr Derwent (who helped carry out the scrutiny) and Miss Booth (leading implementation of it).

11. On "Joubert", the Prime Minister may wish to satisfy herself in particular that establishing the cost centres and the management information system will achieve a real and lasting change in attitudes and practices. In particular -

- Will budgets be made sufficiently taut at the outset to leave no doubt in the minds of cost centre managers that there is no "easy money"? [Note the Joubert scrutiny found substantial over-estimating (leading to plenty of financial slack) and the ready availability of contingency reserves to meet the needs of those over-spending]
- Will cost centre managers and their superiors be suitably trained in management, for example to understand management accounts?
- Will managers be rewarded and penalised according to success or failure in their management role?
- Will cost centre managers get the necessary flexibility in budgetting to give the maximum incentive to deploy resources to the best advantage?

12. The Prime Minister may wish to satisfy herself also that there is the maximum possible delegation of financial responsibility over these resources which line managers are best able to determine. This should cover staff as well as non-staff costs. Although Joubert started off looking at non-staff expenditure, he recommended that the cost centre approach should apply equally to expenditure on staff. They are a substantial cost (60 per cent of total running costs) and the departmental scrutinies of particular activities have shown that there is very often inefficient use of staff (eg through excessive hierarchy) or from deployment of staff (eg too many in some parts of the work and too few in others).

These are issues which the line manager is very often in the best position to observe and to do something about. Also much non-staff expenditure is related to staff and it is difficult to adjust one without the other.

13. More generally the Prime Minister will wish to satisfy herself as to the enthusiasm and determination of officials to make MINIS and Joubert work, to manage administrative expenditure better and to eliminate the "candle ends" mentality that often attaches to this area.

Defensive Briefing

14. I would advise against launching any more initiatives in this area. There is already a lot going on or about to be launched next year. For example -

1. Rayner reviews of running costs (6 or 7 departments) and resource control reviews (5 departments)
2. Financial Management Co-ordination Group working up advice, to be centrally promulgated to departments, on what are the essential elements of a good management information system and the criteria to be applied in seeking to improve management accounting.
3. Civil Service Department working party, reporting to the Financial Management Co-ordination Group, examining performance indicators for use centrally and in departments.
4. Department of Industry and Ministry of Agriculture have consultants examining their systems of financial control; and the DHSS about to bring in consultants.

15. I would advise against any attempt to impose upon departments either MINIS or the Joubert solution. Departments are different organisationally (eg HQ versus local office) and Ministerially (interested, less interested);

some have already done quite a lot, others not much. Systems will only work if they meet the particular needs of the organisation and are seen to be relevant. The important thing is that there is an active programme of reform, taking each case on its merits. Examples of such an active programme are set out in para 19 above.

16. I would advise that the best use of consultants is exemplified in the Joubert review. Apart from the great expense of consultants employed full-time (much of which is incurred adjusting to and mastering the peculiarities of government) both MINIS and Joubert have shown that, given the right stimulus and leadership, civil servants are well capable of undertaking such work and coming up with reforming recommendations. This is not to rule out associating consultants with such work but their role should be supportive.

17. I would advise against accelerating the planned timetable for implementation of "Joubert". The consultants (Peat Marwick, Mitchell) estimate that the system should be ready to run by the end of next year. This is not an unreasonable timetable. There is a lot of ground work involved in assembling the management information data base, defining the cost centres, defining the delegated responsibilities etc. Trial runs will also be needed. It is important that the system is got right to avoid it being discredited. It represents a radical departure in civil service management and those who are sceptical of the approach will be looking for the stumble.

Possible Outcome of Presentation

18. Subject to points of detail emerging from the discussion and the Prime Minister being satisfied as to the rigour of the DOE's arrangements, the Prime Minister might conclude the meeting by -

1. Thanking the participants for their contributions.
2. Applauding the initiatives taken to date and the quality of the work done by officials in support of the Secretary of State.



3. Endorsing the "Joubert" approach, (ie greater delegation of financial responsibility) and encouraging the maximum delegation possible.

4. Welcoming the fact that Joubert-type scrutinies are to be undertaken next year in a further 6 or 7 departments, complementing the other initiatives being taken in this area.

5. Encouraging the DOE to press on towards establishing cost centres as quickly as possible (but not prematurely) and to ensure that the ground is well laid to receive the new system.

DLA.

D R ALLEN

6 November 1981

Some Background

1. The two big initiatives of the Secretary of State are - the establishment of MINIS; and the Joubert Scrutiny.
2. MINIS (Ministerial Information System) originated in a Rayner project in 1979 and has been operational since March 1980. Two rounds have been completed. It is directed mainly at the control of manpower. When the cost information on each Directorate (Under-Secretary command) is assembled, it is used as the basis of meetings between the Secretary of State and the officials concerned, to question manpower needs in relation to objectives.
3. The Joubert scrutiny was set in train in response to the Secretary of State's concern, following sight of the results of the first annual scrutiny of running costs, that non-staff costs were out of control. (The team leader was Mr Joubert; he was assisted by Mr Henry Derwent who will be present; and Peat, Marwick Mitchell were consulted).
4. Joubert concluded that there was a generally "easy" atmosphere surrounding the management of administrative expenditure with easy money, inadequate monitoring and a general attitude of "no need to bother". Apart from some instant first aid, he recommended a radical change of approach. In particular - greater delegation of financial responsibility to the people who make bids for expenditure and who consume the resources, through the establishment of local cost centres; a computerised management information system in support of the cost centre managers; and a rolling programme (on a three year cycle) of cost reviews undertaken by a small team from the Finance Division and MINIS unit.

5. Sir Derek Rayner strongly endorsed the Joubert proposals; the Secretary of State has accepted the recommended approach; and an implementation team has been established to work up the details and convert the recommendations into a reality. Peat, Morwick, Mitchell are advising the implementation team.

6. A summary of the Joubert scrutiny's findings and recommendations has been circulated to all departments; and all departmental Principal Establishment Officers have received a "presentation". A copy of the summary is at Flag A.

7. In an effort to "read across" Joubert to other Departments, the Chancellor of the Duchy of Lancaster and Sir Derek Rayner are inviting 6 or 7 departments to review their methods of budgeting, monitoring and control as a contribution to next year's Efficiency Programme. The reviews will be co-ordinated by a central team. The reviews will examine the scope for greater delegation of financial responsibility and the management information requirements (following more or less the same terms of reference as Joubert) but will recognise that departments are different and that there is no unique solution to these problems. (The relevant extract from The Efficiency Programme documents, shortly to be circulated to Ministers, is at Flag B).

8. In addition the Chancellor of the Duchy of Lancaster and Sir Derek Rayner are inviting a further 5 or so departments to undertake "resource control" reviews of self-contained executive units, (eg Prisons, PSA works, coastguard service). They will be investigating those types of activity where running costs dominate the total cost of the operation. Their objective will be to examine the scope for savings and the methods of management, to engender greater cost consciousness. As with the running cost reviews there will be a central co-ordinating team. (The relevant extract from The Efficiency Programme document, shortly to be circulated to Ministers, is at Flag C.)

RUNNING COSTS IN THE DEPARTMENT OF THE ENVIRONMENT (CENTRAL)

Note by the Department of the Environment

Introduction

1. In light of the preliminary (1980) round of the annual scrutiny of Departmental running costs, the Secretary of State for the Environment proposed to Sir Derek Rayner that the 1981 Rayner Scrutiny programme should include a study of the methods used for estimating, monitoring, and controlling non-staff running costs in DOE (Central) and of the scope for developing an organizational structure based on responsibility units, or cost centres, the heads of which would be responsible for controlling their expenditure. His proposal was accepted and the study was carried out between January and June 1981 by Mr C J P Joubert with the assistance of Mr H C S Derwent. ~~(The full terms of reference of the study are at Annex A below.)~~

2. The report of the study was submitted to the Secretary of State and to Sir Derek Rayner on 18 June 1981 and copies were also sent to the Departmental Trade Union Side. It has been considered by senior management in the Department and the main recommendations of the report have been discussed with a representative sample of potential cost-centre managers. The Secretary of State for the Environment has now decided to implement the report, though it is recognised that the timetable for implementation proposed in the report may not be practicable.

3. It has been suggested that the report may be of interest to other Departments. Accordingly, the present note seeks:-

- (a) to place the report in its context, since it was addressed solely to DOE(C) and its authors assumed in their readers a familiarity with the basic organisation and functions of DOE(C);
- (b) to provide a brief summary of the report and of its recommendations; and
- (c) to draw attention to the main general issues which the report appears to raise.

Although this note is being distributed on the PESC(D) circulation, recipients are asked to bear in mind that the report is not primarily concerned with computerisation or with computerised information

Systems, but rather with departmental organisation and the responsibilities of managers within departments, and that it may be of more particular interest to others within their departments. (Copies of the report have already been circulated to the Principal Establishment Officers of certain major departments.)

4. The report itself is lengthy: the main text in Volume I comprises 140 pages and the annexes in Volume II a further 103 pages. Copies of the full report are accordingly only being circulated to a limited number of recipients of PESC(D) papers; if any other recipients wish to see a copy, they should contact Mr C Joubert (212-4148) who has a limited supply of further copies.

The context

5. DOE (Central) is primarily a "policy" department. It has four significant blocks of "executive" work, viz (i) the management and maintenance of Royal Parks and Palaces, (ii) the management and maintenance of Ancient Monuments in the guardianship of the Department, (iii) the audit (by the District Audit Service) of the accounts of local authorities, and (iv) the determination of appeals under the Town and Country Planning Act 1971 (and of certain other matters arising under that and other legislation). The Department also has two research establishments, viz (v) the Building Research Establishment and (vi) the Hydraulics Research Station (which is to be transferred to the private sector). But items (i)-(vi) amount to less than 45% of the Department's total manpower. The remaining responsibilities of the Department, including water, sewerage, inland navigation, local government, inner cities and the urban programme, development planning, regional policy, land use planning, new towns, rate support grant and local government finance, historic buildings and urban conservation, environmental pollution, land wastes and refuse disposal, radioactive waste, sponsorship of the construction industry, building regulations, sport and recreation, the countryside and rural conservation, and housing are, with the associated central and professional support services, carried out by some 25 HQ Under Secretary commands (located in London and Bristol) and by 9 Regional Offices. Not all the HQ commands work through the Regional Offices, but the latter are responsible for implementing policies sponsored by a good many HQ commands. The HQ commands have tended to be subject to regular reorganisation.

6. DOE(C) operates on a "common service" basis jointly with DTp and PSA in respect of senior staff management, computing, management services, training, and legal services, and on a "common service" basis with DTp in respect of personnel management, accommodation and office services, and accounts. The divisions concerned have treble or dual reporting lines to the Permanent Secretaries of DOE(C), DTp, and PSA. PSA handle the payroll for DOE(C) (and for DTp) and also bill paying in relation to Royal Parks, Palaces, and Ancient Monuments. "Finance Branch" functions are, however, carried out separately in each department.

7. The DOE Accounts Branch (which is not yet computerised) handles not only payments in respect of (non-staff) running costs in DOE(C) but also payments of grants (other than rate support grant and housing subsidies) and loans to local authorities, nationalised industries, water authorities, ports, environmental bodies, and owners of historic buildings, on behalf of DOE(C) and DTp and receipts in respect of LA audits, enforcement appeals, admission charges and sales of

souvenirs, etc, at ancient monuments and Royal Palaces, and the various licensing and testing activities of DTp (other than those handled by the Driver and Vehicle Licensing Centre Swansea). The Branch is shortly to move (temporarily) to Stanmore while urgent structural repairs are carried out to its present accommodation in Hemel Hempstead.

The Joubert Report

8. The Joubert report was concerned with non-staff running costs (as defined for the purposes of the annual scrutiny of departmental running costs) in DOE (Central). These costs do not equate to the non-staff element of the DOE Central Administration Vote (Section C of Vote VIII,5) because certain major items, viz accommodation, rates, and paid publicity, are carried on other Votes and because that Vote also includes the DTp and PSA elements of common service expenditure as well as some "programme" expenditure. The report found that the methods used for estimating expenditure carried on the Vote were inadequate, in that on many ledgerheads outturn had regularly fallen short of the Estimates provision, that excessive allowances were being made for contingencies, and that the heads of divisions and other managers with substantive responsibilities for expenditure tended not to be involved in the estimating process. It also found weaknesses in monitoring and control which reflected (or resulted from) these weaknesses in estimating, the division of the Vote into an excessive number of separately managed ledger accounts, the absence of systematic arrangements for comparing outturns with Estimates profiles, the division of responsibility for the Vote between "Establishments" (estimating, allocation, and monitoring) and "Finance" (DOE Administration PES overall and propriety and regularity), and a general attitude towards cost control and value for money which was in some respects lax.

9. For the immediate term, the report, while noting some recent improvements, recommended a more rigorous approach to estimating, the grouping of ledger accounts to form an interim divisional budget system in which heads of division and Under Secretaries should participate, the disallowance of contingency* bids by spending divisions and the retention of contingency provisions centrally, the monitoring of expenditure (except for certain small ledger accounts) against profile, and a transfer of responsibility for estimating, allocation, and monitoring of DOE non-staff running costs from Establishments to the Finance Division which is already responsible for questions of propriety and regularity on the Administration Vote. These recommendations are in the course of being implemented,

* It is not permissible in Supply Estimates to allow for contingencies in the sense of providing for expenditure which is not at present expected to be incurred but which it might be convenient to incur if occasion arose. The term is used here (and in the Joubert report) in a slightly different sense, ie an allowance for expenditure which will have to be incurred but the precise occasion for or amount of which cannot be foreseen. Thus, the provision for salaries in an Administration Vote will normally contain no contingency element (since the numbers and grades of staff in a Department can be foreseen, barring changes of policy) whilst the provision for "claims for loss or damage caused by Departmental negligence or maladministration" will entirely represent a contingency allowance, notwithstanding that experience shows that some claims will have to be entertained each year.

though (in keeping with the responsibilities of the Principal Establishment Officer as set out in the recent Treasury/CSD memorandum) the Finance Division concerned will have a reporting line to the DOE(C) PEO as well as to the PFO. They have to a considerable extent been supplemented by the advent of cash planning in the Public Expenditure Survey, since this has already removed a major weakness exposed by the report, namely lax estimating, which largely reflected overgenerous revaluation factors allowed by the central departments.

10. For the longer term, the report recommends the division of DOE(C) into some 120* local cost-centres, reflecting the diverse functions of the Department, each of which would typically contain some 20-30 administrative, professional, or executive staff. Each cost-centre would prepare an annual budget which would cover both staff costs and non-staff running costs. There would be a computerised management information system to tell managers at all levels how expenditure was going against plan and a central budget unit to oversee the system and to conduct systematic reviews (on a three yearly cycle covering the whole Department) of cost-centre budgets. ~~The longer term recommendations of the report are set out in full in annex B to this paper as they may be of particular interest to members of PESO(D).~~

11. The longer term recommendations are said to be based on private sector practice and the report acknowledges that they imply major changes in ways of thinking traditional in the Department. The essence of the recommendations lies in the proposed shift of responsibility from the centre (ie from the various divisions, primarily in 'Establishments', who now control running costs) to the line managers of the cost centres whose decisions cause costs to be incurred. As indicated in paragraph 5 above, DOE(C) is primarily an "HQ" organization and the concept of budgeting for administrative expenditure (as opposed to programme expenditure controlled by HQ divisions) is not well established in the Department, except for certain items. (A system of divisional budgeting for Travel and Subsistence, which now also covers conference fees, has successfully been in operation for some years now.) The report suggests that savings equal to about 5% of DOE(C) non-staff running costs might be achieved when the new system was in operation, though it should be noted that roughly 50% of such costs are not at present borne on the DOE(C) Vote.

12. The report comments that, if line managers are to have the new responsibilities which it recommends, they will need incentives to exercise them well. It recommends that the expectation of good financial performance should be reflected in career assessment.

13. The longer-term recommendations are dependent upon the introduction of the computerised management information system.

* The report contains an illustrative breakdown of the Department into 117 cost centres, 60 of which would be headed by Assistant Secretaries or equivalents and the remainder by officers of a higher or lower grade. But it is already clear that these illustrative proposals would require considerable amendment before they could be implemented in practice, though that is not to say that the orders of magnitude indicated are not correct.

(Such a system is clearly necessary in DOE(C), where most non-staff running costs are incurred centrally and where bills in respect of such costs do not ordinarily relate to identifiable organisational units. A manual local cost centre system might, however, be practicable in an organisation based on local offices or units.) This is related to the issue of computerisation on a minicomputer of DOE's existing Accounts Branch, for which preparatory work has already begun. And this is in turn tied up with the unavoidable accommodation changes referred to in paragraph 7 above (which may have staffing consequences and which may make it difficult even to maintain existing systems during the transitional period). Consultants (Messrs Peat Marwick Mitchell & Co) have been retained to advise on the planning of the two systems that will be required. (It is envisaged that at least two packages, one to cover bill paying and Vote accounting and the other to provide management information at the cost centre level, will be required, though they would be based on a common coding structure and database. In addition, separate computerised subsystems might be needed for certain items, eg accommodation, which might justify a separate microcomputer.) It is too early to forecast when the longer-term recommendations will have been implemented.

Wider issues

(3) DEPARTMENTAL RUNNING COSTS

8. A scrutiny into the control of non-staff administrative expenditure already carried out for the Secretary of State for the Environment has confirmed the message coming out of the scrutiny programme generally - poor budgeting, a widespread lack of responsiveness to costs and a need for greater delegation of authority and control. The DOE scrutiny recommended a package of reform aimed at encouraging accountable management. It included a 'cost centre' approach to the budgeting, monitoring and control process which places greater responsibility on line managers; an information system to support this; and reviews designed to cut costs.

9. Against this background, we propose a co-ordinated programme of reviews whose aim will be to ensure that each department has the tools necessary to keep its running costs under proper control. The reviews must recognise that the circumstances of Departments are different and may call for different approaches, and that managers made accountable for running costs must have adequate means of influencing those costs including the freedom, within limits, to switch resources so as to meet targets. The reviews will draw on the outcome of the large number of related initiatives already taken in departments, experience of the annual scrutiny of running costs and the work of the Financial Management Co-ordination Group led by the Treasury. They will be complemented by the programme of resource control reviews of executive operations.

10. We propose specific exercises in 6 or 7 departments, some of whom have already expressed a particular desire to make a contribution. We would like to seek proposals from the Secretary of State for Foreign Affairs, the Secretary of State for Education and Science, the Secretary of State for Trade, the Secretary of State for Transport, the Secretary of State for Energy and the Secretary of State for Employment. My own Department will contribute.

(2) EXECUTIVE OPERATIONS (RESOURCE CONTROL REVIEWS)

4. The weight of scrutiny and other efficiency work has rightly been on simplifying administrative processes. But we need now to do more in and learn more about executive operations which are non-administrative in character. The resources used in such operations are large: an approximate estimate is 250-300,000 people and about £3,000 million a year.

5. The review this year of supporting services in R & D establishments has shown substantial scope for savings. Building on this we propose a programme of co-ordinated departmental scrutinies of the use and control of resources in the main blocks of non-administrative work. The aim would be to achieve immediate savings and improvements wherever possible and to identify and tackle obstacles to effective management. We think that 6 or 7 reviews should be carried out in 1982, with others to follow in later years.

6. We propose that the 1982 reviews include: two important areas of the Ministry of Defence (which has a large proportion of this kind of work); the prison service - already agreed

by the Home Secretary, with a closely related review in the Scottish prison service under consideration; the coastguard service; and the PSA works service. In addition one or two smaller units(perhaps for example the Meteorological Office) and also possibly a trading service such as the Royal Mint should be included.

7. The reviews would start with such matters as specialist technical services, various kinds of administrative support, supplies, capital assets - including joint studies by the CSD and departments of some of the main supporting services, such as messengerial and typing services, stores and telecommunications. Examining officers would be required to consider in the light of their findings arrangements for allocating responsibility and accountability and, as necessary, to draw attention to any desirable changes in policy guidelines.

Civil Service

MR. WHITMORE

MR. RICKETT

The meeting to discuss scrutiny of departmental running costs which was to have been next Tuesday, is now on Wednesday 11 November at 1100.

I have invited the Secretary of State for the Environment, Mr. John Cassels and officials from CSD and Treasury.

CAROLINE STEPHENS

21 October 1981



10 DOWNING STREET

From the Private Secretary

1 October 1981

Scrutiny of Departmental Running Costs

Jeff Channing wrote to me on 17 September, replying to my letter of 20 August about the handling of the presentation your Secretary of State and officials are due to give the Prime Minister on 27 October.

The approach to the presentation outlined in Jeff Channing's letter seems admirable. My only comment is that I think the Prime Minister will want to hear from the Permanent Secretary and the Establishment Officer on how the introduction of the Joubert proposals will help them in their management function. One of the things that the Prime Minister has always been interested in is what the key management figures in the department - from Minister to line manager - do to ensure the effective management of resources.

I am copying this to David Allen.

W.F.S. RICKETT

Ms. Helen Ghosh,
Department of the Environment.

Mr RICKETT

(olr)

Carol Smith

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

1. I have seen Mr Channing's letter to you of 17 September and have discussed it with Mr Priestley.
2. I think the response a good and helpful one. My concern at the time of drawing up the list of questions that you put to Mr Channing in August was to ensure that the Joubert recommendations got a fair wind. The framework suggested by the Secretary of State does this.
3. We have two comments only on what is proposed. Firstly, I think it will be helpful for the Prime Minister to hear from the Permanent Secretary and the Establishment Officer on their role under the Joubert proposals and how the changes will help them in the management of DOE's administrative expenditure. We think an important purpose of the presentation is to enable the Prime Minister to get a feel for what the key management figures in the department do to ensure the effective management of resources. At the moment the Permanent Secretary's and Establishment Officer's part of the presentation concentrates on the logistics of the move to implementation of Joubert rather than what the change will mean for them.
4. Secondly, Mr Derwent, who assisted Mr Joubert in the scrutiny, has not been given a slot of his own but rather "will be available to deal with detailed points in the report". We do not think the Prime Minister can decently press for Mr Derwent to be given a speaking part, but she may wish to put the DOE on notice that she will want to draw Mr Derwent into the presentation.
5. I attach a possible Private Secretary letter for you to send to Mr Channing.

DA.

D R ALLEN

18 September 1981

DRAFT OF 18 SEPTEMBER 1981

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Helen Ghosh

PRIVATE SECRETARY LETTER TO J P CHANNING ESQ.,
DEPARTMENT OF THE ENVIRONMENT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Jeff Channing wrote to me on

~~Thank you for your letter of 17 September, replying to my letter of 20 August about the handling of the presentation your S-O-S- and Officials are due to give me ? - on 27 October.~~

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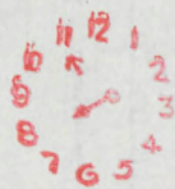
Permanent Secretary and the Establishment Officer on how the introduction of the Joubert proposals will help them in their management function. One of the things that the Prime Minister ~~has always been~~ is most interested in is what the key management figures in the department - from Minister to line manager - do to ensure the effective management of resources.

~~The Prime Minister is glad that Mr Derwent will be available to deal with detailed points on the Joubert/Derwent report. She looks forward to hearing from him.~~

I am copying this to David Allen.

W F S RICKETT

21 SEP 1961





h Rivett (o/r !)

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/17208/81

Your ref:

17 September 1981

Dear Willie

12
1981
SCRUTINY OF DEPARTMENTAL RUNNING COSTS

Thank you for your letter of 20 August.

You enclosed a list of detailed questions which were based on the four themes already approved by the Prime Minister and which you suggested might form the basis of the discussion at the presentation on 27 October.

My Secretary of State would wish to propose building on the four basic themes in a rather different way, and to suggest a rather different framework for the presentation. In doing so, he has had in mind one of the comments which Sir Derek Rayner made on the Joubert report, namely that the deficiencies which it revealed in existing procedures for controlling running costs were by no means unique to DOE. On the other hand, the recommendations of the report will, when implemented, provide a system which will go beyond anything that is at present available to any Minister in charge of a Department. We would therefore like to shift the emphasis of the presentation towards the report itself, the changes that it will bring about (both for Ministers and for managers within Departments), the steps that are being taken to implement the report, and the problems that we will have to overcome. We do not see this as an occasion for going into great detail about existing systems, or past initiatives, except to the extent necessary to explain the improvements expected from revised procedures.

Building therefore on the four basic themes - which might perhaps be paraphrased as (i) budgetting (ii) monitoring and exception reporting (iii) diagnosis and (iv) corrective action - we would propose as a framework for the presentation the topics set out in the attached note. Please let me know if you see any difficulties over this.

Finally, you asked whether Mr Derwent, who assisted Mr Joubert in carrying out his scrutiny, would be able to take part in the presentation. Although he is for the time being out of the

Department on secondment to one of the Clearing Banks, we expect that he will be able to attend and we will be arranging for him to be included in the official team.

I am sending a copy of this letter to David Allen in Sir Derek Rayner's office.

Yours ever

Jeffrey Channing

J P CHANNING
Private Secretary

RUNNING COSTS IN DOE (CENTRAL)

I. The Secretary of State

1. What information does a Minister need so as (a) to plan his department's programme:-

(i) so as to meet overall Government objectives (eg manpower ceilings) and to keep administrative expenditure within available resources;

(ii) so as to make resources available for the tasks to which the Government attaches priority;

and (b) to secure that plans are fulfilled.

2. What MINIS has achieved in controlling functions, and disposition of manpower.

3. What the annual scrutiny revealed about gaps in existing information systems.

4. What has been achieved by ad hoc initiatives - eg accommodation, photocopying - but what more could be achieved by a comprehensive approach.

5. What the Joubert proposals will provide:-

(i) estimates based on plans for individual responsibility centres;

(ii) a link between budgetted costs and MINIS functions;

(iii) monitoring of expenditure for the benefit both of the central budget unit and the managers themselves;

(iv) timely reporting of exceptions from plans, with a view to corrective action where appropriate.

II. The Permanent Secretary and the Establishment Officer

6. How we propose to implement Joubert.

7. Where we start: what the annual scrutiny shows for 1981/82: what we have already achieved (eg local T&S budgets, which were a DOE initiative).

8. How we propose to proceed:-

(i) Short-term: identification of responsibility centres within existing control mechanisms: budgets for responsibility centres and monitoring performance against budgets.

(ii) Longer-term: computerised management information system: link with computerisation of DOE Vote accounting and bill paying.

III. A Regional Director

9. What local budgeting will mean for the cost centre manager.

IV. Discussion and Questions

10. Mr Joubert's assistant in his scrutiny will be available to deal with detailed points on the report.

V. The Secretary of State

11. Wider implications:-

(i) Possible "read across" to other departments once DOE system is operating.

(ii) Local discretion and central standards.

(11) "После проведения всех необходимых мероприятий"

Следует отметить:

(1) "После того, как будет проведено все необходимое"

11. "После того, как будет проведено"

12. "После того, как будет проведено"

13. "После того, как будет проведено"

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(11) "После того, как будет проведено"

20. "После того, как будет проведено"

21. "После того, как будет проведено"

22. "После того, как будет проведено"

(1) "После того, как будет проведено"

23. "После того, как будет проведено"

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27. "После того, как будет проведено"

28. "После того, как будет проведено"

17 SEP 1981





B/H
SD
cc D.R. Allen.
10 DOWNING STREET

From the Private Secretary

20 August 1981

Scrutiny of Departmental Running Costs

I have been thinking further about the ground that might helpfully be covered by your Minister and officials at the running costs presentation on 27 October, and have discussed this with David Allen in Sir Derek Rayner's office.

We think that the Prime Minister would be most helped by a presentation which avoids excessive detail on the procedures, but which gets across the spirit in which the Department plans and controls its administrative expenditure and the effect on keeping down costs. To this end, we have put together a list of questions intended to fill out the four themes which were approved by the Prime Minister and set out in my letter of 14 July.

As I mentioned in my letter of 14 July the Prime Minister was keen that Mr. Joubert should take part. I now understand that he is out of the country at the time. Could you let me know the arrangements for substituting for him and, in particular, whether his assistant in the scrutiny, Mr. Derwent, might suitably stand in?

W. F. S. RICKETT

Jeff Channing, Esq.,
Department of the Environment.

p

Some questions to be covered by the Running Costs Presentation

1. What are the procedures for determining the size and composition of the administrative budget? How do the central and the spending divisions inter-react in that process.
2. What are the "incentives" for spending divisions to keep down their administrative costs and to question these costs in relation to value for money.
3. What are the arrangements for the several tiers of management (from Minister down to line manager) to monitor costs throughout the year and in particular to what extent are managers down the line called upon to "account" for discrepancies between actual and plan?
4. What are the arrangements for questioning new expenditure bids which arise in the course of the year and for meeting those bids?
5. What initiatives have been taken (say since May 1979) to hold down administrative costs and how far have they been in direct response to manpower targets?
6. How far and in what areas is there delegated authority to the spending divisions to take the necessary decisions to "control" administrative costs.
7. What are the instruments available to management to review administrative costs and what have been their effect, in terms of savings, since May 1979.
8. How does the annual scrutiny of running costs fit in with the other arrangements in the department for questioning the costs of administration?
9. What has been the effect of MINIS on the control of administrative costs and getting better value for money: and how will the Joubert proposals, if implemented, contribute to cost control, expenditure planning and value for money.
10. What lessons are there from the Department of the Environment initiatives to control administrative costs for programme expenditure generally?

- What plans for control
- how compare out with
plans
- expl. for variance
- follow up

10, DOWNING STREET,
WHITEHALL S.W.1.

*With the Private Secretary's
Compliments.*

MR RICKETT

Pl type
msc x.

WM
20/8

SCRUTINY OF DEPARTMENTAL RUNNING COSTS:
DOE PRESENTATION, 27 OCTOBER 1981

1. We spoke the other day about the possibility of you writing to Mr Heseltine's private secretary with a list of questions aimed at fleshing out the themes in your letter of 14 July. I attach a draft letter and enclosure.
2. I also mentioned to you that Mr Joubert is out of the country at the time of the presentation. You said that you would be in touch with DOE about this. If you have not already done so, you might use this opportunity to question DOE on who they intend to substitute for Mr Joubert. His assistant on the scrutiny, Mr Derwent, would be a good bet from our point of view.
3. I am on holiday for three weeks from the evening of 20 August. I shall be happy to talk to you before then about any of this. Will you please let us have a copy of whatever you send to Mr Edmonds?

x 11

MA.

D R ALLEN

19 August 1981

J Channing

DRAFT PRIVATE SECRETARY LETTER TO D EDMONDS ESQ.,
DEPARTMENT OF THE ENVIRONMENT

SCRUTINY OF DEPARTMENTAL RUNNING COSTS

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We think that the Prime Minister would be most helped by a presentation which avoids excessive detail on the procedures, but which gets across the spirit in which the Department plans and controls its administrative expenditure and the effect on keeping down costs. To this end, *we* have put together a list of questions intended to fill out the four themes *which were approved by the P-M and* set out in my letter of 14 July. ~~and to give a reasonable balance between procedures, spirit and effect.~~

As I mentioned in my letter of 14 July the Prime Minister was keen that Mr Joubert should take part. I now understand that he is out of the country at the time. Could you let me know ~~please~~ the arrangements for substituting for him and, in particular, whether his assistant in the scrutiny, Mr Derwent, might suitably stand in?

~~Yours etc~~

~~Private Secretary~~

Enc: Questions to be covered by the Running Costs Presentation

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179 AUG 1981



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