


no

cc/BG



PRIME MINISTER

VALUE FOR MONEY SEMINAR: DEPARTMENT OF THE ENVIRONMENT  
10 - 11AM, 11 FEBRUARY 1986

You are seeing Mr Baker and his first Permanent Secretary, Terry Heiser, on 11 February. The seminar is intended to cover the DOE only, not the PSA.

#### OBJECTIVES

2. The objectives are:

- (a) to remind Mr Baker and Mr Heiser of the importance you attach to steady improvement in value for money;
- (b) to encourage them to maintain a programme of continuous improvement;
- (c) to encourage them to set ambitious but realistic targets in each of the main areas of public expenditure with which they are concerned.

#### HANDLING

3. Mr Baker has been invited to speak for about 20 minutes, saying what has been achieved in the last year and what is going to be achieved. Mr Baker will focus on a number of specific areas of DOE. Thereafter there will be 40 minutes for discussion.

4. The DOE has shown substantial improvement particularly on running costs, and this needs to be acknowledged. It will be equally important to emphasise the need to maintain and increase the rate of progress, particularly in those areas of public expenditure where they should be able to exert influence even if they do not have direct control.

#### MAIN FACTS

5. DOE is relatively small in terms of running costs (£136m pa) and manpower (6,500). Its programme expenditure, however, is substantial (£6.5 billion) - mostly local authority. In addition it is responsible for the allocation of RSG (£9 billion) in England and the approval of local authority capital expenditure (£3 billion).

6. The main areas of programme spending are:

- housing (£2.7 billion net) →
- local authority environmental services (£2.4 billion) →

A note giving key spending and manpower facts is at Annex B.

7. The Audit Commission has an important role in securing better value from local authority spending (you will remember John Banham's presentation to Cabinet last July). But DOE does have influence and some controls. It is particularly important that specific savings identified by the Audit Commission are implemented widely across authorities.



MAIN QUESTIONS

8. How can DOE use its influence/control to secure better value?
- how does DOE ensure that others (eg sponsored bodies and local authorities) set appropriate targets?
  - are there areas where the legislative and financial framework should be substantially improved?

How is DOE using value for money targets?

- are they precise and timetabled?
- are they about better value (not just implementing policy)?
- are they sufficiently extending?

What major scrutinies have DOE in mind to help deliver major targets?

9. Specific suggested questions are at Annex A.

FOLLOW UP

10. The Efficiency Unit will follow up specific points from the seminar. I will see Kenneth Baker shortly to talk in detail about his targets for 1986/87 and the scrutinies DOE intends to do.
11. I am copying this to Sir Robert Armstrong.

ROBIN IBBS  
7 February 1986





SUGGESTED POINTS TO RAISE

A. DIRECTLY CONTROLLED EXPENDITURE

1. Running Costs. DOE's running costs rose from £132.5m in 1984/85 to £137m in 1985/86 (ie 3.5%). This increase is lower than the level of overall increases across government. DOE manpower has reduced from 12,500 in 1979 to 6,500 now. Half of the 6,000 saving has been as a result of dropping functions or streamlining. This is a real achievement. They deserve congratulation.

*You asked that DOE should aim for 80% should be determined in 8 weeks, at a satisfactory Group meeting.*

2. Scrutiny to speed written planning appeals A high quality scrutiny completed last October. It showed how waiting times for determining written planning appeals could be brought down from 20 weeks to 11 weeks. Although this is a small area of DOE activity, it shows what can be done to improve.

Is DOE planning to do more scrutinies which will deliver results like this?

Are they prepared to commit some of their best quality staff?

(A scrutiny takes only 90 days of a high-flier's time)

B. SPONSORED BODIES

3. Quango reviews All quangos are being subjected to financial management reviews between 1985 and 1988. 6 DOE reviews have started (Housing Corporation, National Heritage Memorial Fund, New Towns, Sports Council, Urban Development Corporations, Development Commission). None has reported yet. The reviews are generally being conducted by the relevant desk officer (although one of them at least has some management consultant help).

What benefits will come out of these reviews and when?  
Are they doing more than just going through the motions?

4. Housing Corporation The Housing Corporation funds housing associations (capital expenditure this year £700m). 85% of the cost of projects is met by Government grants.

Is the subsidy going to those who need it?  
Is the expenditure giving maximum benefit in terms of the underlying objectives of housing policy?

5. Water Authorities English Water Authorities now have about 47,000 staff (57,000 in 1979). All Water Authorities are meeting their financial targets for return on assets. Privatisation should be another spur to efficiency.

How will DOE ensure that the Water Authorities continue to improve efficiency after privatisation?

6. Development Commission The Development Commission is spending about £25m pa on the economic and social development of rural England. A major activity is investment in factory premises and workshops.

Has the Commission achieved its targets for factories and workshops?  
What resulting improvements have there been to the rural economy?



7. Sports Council The Council is spending just over £30m pa with plans to increase this to £37m to take on GLC functions. This will mean about 150% increase in spending since 1979 (Local authorities spend about £700m on sport and recreation as well).

What improved results or activities are there to show for this rise in expenditure?

What steps are taken to ensure that selectively it is used to best advantage?

### C. SPECIFIC GRANTS

8. DOE gives local authorities a wide range of specific grants towards activities, eg for housing and urban renewal. Although local authorities are the spenders, DOE should be able to influence how the money is spent.

9. Urban Programme The Urban Programme costs £338m this year. Efforts are being made to ensure better co-ordination between departments on their spending.

What specific improvements have stemmed from the increased resources put into the urban programme in recent years?

How will the DOE ensure that it improves its programmes as part of the work of CATS and of the Urban Task Force in the Department of Employment?

10. Derelict Land Grant Over £70m pa is given to local authorities and private individuals or companies to reclaim derelict land for industrial use or to improve the environment. Priorities have shifted from environmental improvement to industrial reuse.

How are changing priorities reflected in the targets which are set?

11. Housing policy - general Housing policy is a patchwork of different policies, and different grants and schemes. DOE spends much effort in aligning the various elements. The 1985 Cabinet Office review of housing policy recommended a more market oriented approach with clearer objectives and better evaluation.

How is DOE ensuring that value is being attained from public spending on housing despite the patchwork of policies and schemes?

What action has been taken on the Cabinet Office review?

### D. LOCAL AUTHORITY BLOCK GRANT

12. DOE is responsible for the financial framework within which local authorities work and for the distribution of RSG. The front line pressure for securing better value comes from the Audit Commission, but the DOE does have the ability to influence how services are provided.

What specific steps is the DOE taking to encourage value for money in local authorities?

Can the DOE hold up as an example (eg in Ministerial speeches) those local authorities where real improvements have been made?



DOE KEY FACTS

## MANPOWER AND EXPENDITURE

	1978/79	1985/86	1986/87
<u>Overall PES</u>			
Housing	3,563	2,742	2,752
Other env. services	2,219	3,939	3,622
<u>Running Costs (£m)</u>	- -	137	144
<u>Manpower (thousands)</u>	12.5	6.5	6.4

<u>Main Businesses</u>	% of total (1985/86)
Housing	41
Local env. services	35
Planning	1
Inner cities	4
Countryside	1
Env. protection	0.5
Water	4
Construction industry	0.5
Heritage	1.5
Sport	0.5
Admin etc	1.0

## MANAGEMENT SYSTEM

MINIS was the precursor of other top management systems. It has been progressively refined; now in its seventh round it is substantially different to the early versions. It now enables top management to focus on key issues and to concentrate on aims and objectives; it requires improved measurement of performance; and it enables targets to be set.

## SCRUTINIES

1984/85	Urban Programme
1985/86	Speeding planning appeals: showed how to cut delays from 20 weeks to 11 weeks Co-ordination of environmental research: still in progress, but there are no signs that the scrutiny will deliver substantial results Slum Clearance Subsidy: just started, a good examining officer looking at a £50m subsidy paid to local authorities on their slum clearance deficit accounts (ie paying for past activity).
1986/87	DOE has mentioned the possibility of a scrutiny of burdens on local authorities. This could be a substantial subject where good results could be delivered.

AJ2/PMDOE



COMPLIMENT