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PRIME MINISTER

MEETING ON 24 OCTOBER AT 9.00 AM

At our meeting on Friday, I should like to discuss:

1. Progress Chasing

flag A My minute of 21 October enclosed the second progress report from the Ministry of Defence. I suggest that we assess whether this meets your requirements and whether any changes are needed.

We have not yet received a similar report from DHSS covering their activities.

We might also briefly review where I have got to in seeking reassurance that project management arrangements in MOD now ensure that there is no recurrence of the weaknesses revealed by NIMROD, particularly on science and technology aspects.

2. Improving Management in the Civil Service

We need to find out what more we can do to accelerate the change in management style throughout the Service. I wrote to you on 16 October to flag B. seek your approval for the Efficiency Unit to talk to a number of Ministers and Permanent Secretaries about the "next major step". As I said, I shall be looking for more action not more systems.

3. Scrutiny Programme

As reported in my minute dated 21 October, the scrutiny programme is getting better. Last year some major programme and policy issues were flag C tackled successfully. Recommended savings totalled £132m. This year's programme is shaping up well; there are good topics and good examining officers.

Progress on implementation is still not as good as it should be - there are still delays in reaching decisions and in implementing accepted recommendations.

4. VFM Targets

I will be reporting to you shortly on my round of meetings with Ministers and Permanent Secretaries to discuss their value for money targets. These have been encouraging. Most Departments are now using targets, rather than simply producing them for the meeting. The quality of the targets themselves is also improving, with more quantified targets and their extension to programme/policy areas. However, there is still some way to go before all Departments have truly stretching targets which cover outputs as well as inputs.

ROBIN IBBS
22 October 1986

DCABMI

CONFIDENTIAL

PRIME MINISTER

MEETING WITH SIR ROBIN IBBS: MINISTRY OF DEFENCE

Part of your meeting with Sir Robin Ibbs on Friday will be to consider the steps being taken to improve project management in the MOD. The attached note lists three steps:

(i) Project reports This is intended to enable you to see at a glance how matters stand on each major project. It seems useful as far as it goes. It has, it seems to me, two deficiencies. First, it deals only with the phase after contracts have been signed: a great number of the problems we have experienced arise in the pre-contract phase. Second, like a computer, the reports are vulnerable to the garbage in/garbage out phenomenon. The MOD must put in realistic information. With the present chart one could, for example, imagine Nimrod chugging happily along for quite a while with money being spent according to plan without the nature of any problem being revealed.

(ii) Deployment of MOD scientific staff Sir Robin is not satisfied that the MOD are organised to draw up specifications, define technical risks and set realistic targets in the pre-contract phase. He proposes a Scrutiny, to which Clive Whitmore has agreed.

(iii) Defence Equipment Policy Committee Sir Robin judges that this Committee does not ask the right questions or expose potential weaknesses and deficiencies vigorously enough. The Chairman has been formally reminded that it is the Committee's task to do this. Is this really enough? Or do the membership and procedures of the Committee need to be drastically revised? Should they be required to report to Ministers collectively (not just in the MOD) on progress or lack of it with major projects?

CDP

(C.D. POWELL)

22 October 1986

CONFIDENTIAL

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PRIME MINISTER

THE EFFICIENCY UNIT SCRUTINY PROGRAMME

1. When I reported to you last May on implementation of the 1983/84 scrutiny programme, I said I was seeking substantial improvement in the quality of the annual programmes and in results.

2. Signs of such improvement are now emerging. The recently completed 1985/86 scrutiny programme has the potential to be among the best to date and the current year's programme is shaping up quite well. But emerging results from the earlier 1984/85 programme are still not as good as they should have been and emphasise the need for the greater effort now being made. The report by the PAC on Scrutinies has provided useful support for our work.

The 1984/85 Programme

3. I will be reporting to you on implementation of the 1984/85 programme next May when the two year implementation period will be complete. Indications to date, however, are mixed. Good progress on implementation has been made on most scrutinies; particularly a DTI scrutiny on the Radio Investigation Service and a DES scrutiny on the Open University where significant savings are being achieved. But there is a lack of progress on a few others, with decisions on recommendations still outstanding in some cases. I am pursuing this with the Ministers and Departments concerned, stressing the need for substantial progress before May next year.

The 1985/86 Programme

4. A summary of scrutinies conducted in the 1985/86 programme and recommended savings is at Annex A. A number of features stand out:

- at £132m per year, the value of recommended savings is the second highest ever and a significant increase over the £44m in 1984 and £22m in 1983.

- In addition, some scrutinies recommend major re-allocations of expenditure to more effective and efficient uses. For example, the NI scrutiny of the Balance of Health Care recommends that a substantial proportion of expenditure on hospital services be redirected to residential accommodation and community care to provide a more effective and efficient health service.

- the programme also contained an increasing number of programme evaluations and the scrutiny of some major policy issues. In addition to the NI scrutiny, scrutinies were done of the Community Programme, Legal Aid and the Slum Clearance programme.

- There was also an extremely good FCO report which successfully tackled the issue of how to measure output from the FCO's acitivities and how to use this to improve performance.

5. I am greatly encouraged by these features and will be pressing Ministers and Departments hard for quick implementation of accepted recommendations.

The 1986/87 Programme

6. The current year's programme as it stands at the moment is at Annex B. It is not yet complete; some Ministers have still to settle their choice of topics and other subjects are likely to emerge from the current PES round. I shall submit an updated list to you in November so that, if you agree, the 1986/87 programme can be announced in a PQ.

7. The programme contains a number of scrutinies of large expenditure programmes and significant policy issues (eg arrangements for recovering maintenance from liable parents in the social security system and the procedures and policy on school re-organisation proposals). But I am concerned that some Ministers and Departments continue to see the scrutiny programme as focussing predominantly on administrative procedures. I and the Unit have been stressing to Ministers and Departments the suitability of the scrutiny technique for examining major programme and policy issues, which offer substantial value for money improvements, and we shall continue to do so.

8. We have also taken steps during the year to encourage Departments to commission scrutinies outside the central programme on which I normally report. We are proceeding cautiously with such 'franchising', with DHSS conducting and supervising a number of scrutinies this year on its own account and the Home Office supervising a number of scrutinies in the Metropolitan Police. (The NHS already has an established scrutiny programme of its own.) I shall be monitoring the results of these scrutinies closely to see if this wider use of scrutinies can be extended to other Departments. If the concept proves itself, it will provide a means of extending use of the scrutiny technique to a larger number of issues.

Conclusion

9. The 1985/86 and the current programme demonstrate that Departments and Ministers are continuing to use the scrutiny technique to examine substantive issues and that there are large efficiency savings and improvements in value for money still to be had. Pressure to improve administrative efficiency must be maintained but opportunies for very substantial new savings exist through selective scrutiny of programme expenditure. While implementation is improving, there is still insufficient emphasis being placed on the need for quick decisions and implementation. I shall be continuing to press Ministers on this.

10. I am copying this to Robert Armstrong.

ROBIN IBBS
22 October 1986

SR13:85/6SP

ANNEX A

1985/86 SCRUTINY PROGRAMME

Dept	Scrutiny	Value of Activity Covered £m	Cost of Scrutiny £	Recommended savings £m annual	£m one-off	posts
MPO	Occupational Health Service	7.0	49,000	2.5	-	90
DES	Architects & Building Group	1.7	13,400	0.156	-	8
FCO	Output Measures	n/a	22,100	-	-	-
FCO	Sec. of Diplomatic Missions	49.0	70,300	0.8	-	60
DHSS	Remission of NHS charges	240.0	35,000	22.3	-1.3	517
DHSS	Solicitors Branch	4.7	21,000	1.0	-	
SO	Central Advisory Service	1.23	18,500	0.4	-	23
MAFF	Protection of Agric. Land	2.0	30,000	0.11	-	-
NI	Balance of Health Care	676.0	72,000	-	-	-
DOE	Speeding Planning Appeals	4.0	40,000	-	-	-
DOE	Slum Clearance Grant	45.0	21,600	-	-	-
DOE	Environmental Research	20.0	29,600	2.0	-	-
DOE	Pollution Inspectorate	11.9	43,000	-	-	-
C&E	Legal Services	8.9	28,000	1.01	-0.024	-
PSA	Surplus Space	20.0	39,000	-	-	-
MSC	Use of Paper	20.0	36,500	2.72	-	-
DEm	European Social Fund	350.0	32,000	25.0	-	-2
DEm	Community Programme	1000.0	42,800	17.00	-	-
DEm	Skillcentre Training Agency	80.0	32,300	-	-	-
MOD	Ship Acceptance Procedures	0.8	24,700	0.025	-	1
MOD	Ammunition Procurement	360.0	18,700	18.476	-	-
LCD/HO	Court Escorts	50.0	42,000	8.4	-	-
LCD	Legal Aid	390.0	77,000	30.0	-	-
OAL	British Library	5.8	19,000	0.293	-	7
OAL	Film and Television School	2.5	5,000	-	-	-
DTI	Regional Offices	11.0	49,500	-	-	-
	TOTALS	3361.53	912,000	132.19	-1.324	704

KC6:SPROG

ANNEX B

1986 SCRUTINY PROGRAMME (at 17 October 1986)

I: Central Programme

HO:	Probation Inspectorate
DTI:	Measurement Standards
DES:	School reorganisation proposals
DEn:	Publications Programme
C&E:	VAT Skills
	Attendance Patterns
IR:	Taxation of Unemployment Benefit
	Leaflets and Booklets
DHSS:	Liable Relatives
DHSS:	Competitive Tendering
DHSS:	Social Security Regional Offices
DTp:	Marine Survey Service: Objectives and Performance Measurement
	Chief Highway Engineer's command
FCO:	Information Expenditure
ODA:	Project appraisal
SO:	Fisheries Protection
PSA:	The Role of the Professional Advisers

II Devolved DHSS Scrutinies

Printing and Publications
Technical Training of Local Office Staff
Paper Keeping

III Metropolitan Police Scrutinies

Metropolitan Police Force Band
Police Overtime