Foreign and Commonwealth Office

London SW1A 2AH

14 February, 1983

Dear Robin,

The Scrutiny Programme

Your letter of 26 January asked Ministers to submit proposals for the 1983 programme of scrutinies.

Mr Pym would like to propose two scrutinies, one in the Diplomatic Wing and one in the ODA. Both deal with aspects of procurement policy and practice and should therefore fit well with the programme which has been proposed by the Lord Privy Seal and which includes procurement as one of the themes for central review.

Details of the two proposals are attached. In brief, the ODA study would review our arrangements for the procurement of goods and services financed under the British bilateral aid programme including the Aid/Trade Provision while the scrutiny in the Diplomatic Wing would review all aspects of procurement and related technical support services in the Communications Division.

In both cases current procedures have remained unchanged for some considerable time and we see scope for increasing effectiveness and getting better value for money. On the ODA side the annual expenditures involved runs to approximately five hundred million pounds; in the Diplomatic Wing while the expenditure is much smaller it does represent almost 50% of all expenditure on capital items.

I am copying this letter to the Lord Privy Seal's Office and to John Cassels.

Yours ever,

(B J P Fall)
Private Secretary

R Butler Esq
Principal Private Secretary
10 Downing Street

PROJECT FOR SCRUTINY IN THE DIPLOMATIC WING OF THE FCO

Subject

1. A review of all aspects of procurement and related technical support services in the Communications Division of the FCO. The Division is responsible for the development and operation of communications and technical security services for FCO and other Government departments. It is also responsible for the engineering and operation of broadcast transmitting stations for the BBC's external service. The procurement and storage of technical and wireless supplies and services, including financial monitoring, is the responsibility of the administration department, although all orders over £75,000 have to be placed through MOD (PE) and, for computers, over £25,000 through the CCTA. Specifications and technical liaison with contractors are provided by the engineering, operations and technical security departments. The review would follow the procurement process from the first proposal for technical expenditure through to delivery and payment for the product.

Costs

2. The total estimated expenditure, excluding staff costs, for 1983/84 is between £13 million and 14 million (over £6 million on technical and wireless supplies and services with about £7 million on broadcasting), which is close to 50% of FCO total expenditure (excluding accommodation) on capital items. There are 1100 staff in the Division of whom 62 are exclusively involved in procurement and stores, with significant additional manpower involved in defining and drawing up specifications and providing technical and financial monitoring.

/Reasons ..

Reasons for selecting the subject

3. Scrutinies of procurement in other departments have found that procedures are not always as flexible, cheap and effective as they should be. But fast, reliable and secure communications provide the underpinning for FCO activities world wide and it is important that the system for assessing and meeting technical requirements should be as efficient and cost effective as possible.

4. This may not be the case. This is a relatively small procurement and stores operation but one which is highly labour intensive with work procedures which can be traced back in some respects to ones introduced shortly after World War II. There is scope for taking a fresh look at the way in which requirements are determined, competing demands for resources evaluated, specifications drawn up, goods ordered and technical and financial monitoring carried out. In particular the possibilities for introducing new technology into the stores area and the basis for the current division of responsibility for procurement between FCO, MOD (PE) and the CCTA should be examined.

Proposed Terms of Reference

5. The terms of reference should cover the same ground as those of the multi-departmental review of procurement and contract procedures. But given the relatively small scale of this procurement operation, the scrutiny should also consider how and why decisions on technical expenditure are reached and the basis for assessing alternative options. The following terms of reference are therefore proposed:

To examine

(a) the current procedures for financing, developing and evaluating proposals for expenditure on technical equipment and supplies;

/(b)

(b) the arrangements for procurement from the drawing up of specifications through to the acceptance and final payment on the delivered product, including the letting of the contract and technical and financial monitoring; and

(c) the storage of goods, including the level of stocks and methods of stock control;

To consider whether these procedures and arrangements are economical and effective and provide value for money compared with the best practice in the private sector;

To consider in particular the scope for the introduction of new technology in stores procedures and to determine whether the present division of responsibility for procurement between FCO, MOD (PE) and CCTA is the most cost effective arrangement.

Proposed Start and Finish Dates

6. The scrutiny would begin around the beginning of June and should be completed by the beginning of September.

Examining Officer and Responsible Minister

7. An examining officer has not yet been nominated. The intention is that it should be a DS Counsellor who would be supported by an officer with professional experience of procurement procedures. The responsible Minister would be Mr Hurd.

PROJECT FOR SCRUTINY IN THE ODA

Subject

1. A review of our arrangements for the procurement of goods and services financed under British bilateral aid programmes including the aid/trade provision (ATP).

Costs and Staffing

2. The total expenditure involved in 1982/83 is estimated to be just under £500 million. Although the number of ODA staff directly involved in procurement is small, a substantial proportion are involved in the overall delivery of bilateral aid.

Reasons for Selecting the Subject

3. Under the bilateral aid programmes the ODA procures many hundreds of millions of pounds worth of goods and services each year and it is clearly central to the efficient management of the aid programme that our arrangements for this procurement should be the best possible. Our current procedures have remained essentially unchanged for a considerable time and it is desirable to consider whether their effectiveness and value for money could be improved and whether UK firms could be given better access to the export opportunities arising from the aid programme.

Proposed Terms of Reference

4. To review the present arrangements for procurement of goods and services financed under the British bilateral country aid programmes including the ATP.

/The review

PROJECT FOR SCRUTINY IN THE ODA (Cont.)

The review will consider the system laid down by ODA in Office Procedure and in formal agreement with recipient countries and examine and describe actual practices by the various procurement agents used.

The aim of the scrutiny will be to recommend any changes which should be considered in order to safe-guard or improve:

(a) value for money in the expenditure of aid funds;

(b) the access of a wide range of UK firms, small as well as large, to export opportunities arising from the use of aid funds;

(c) the proper and timely use of aid funds for the purpose agreed by HMG.

Proposed Start and Finish Dates

5. The scrutiny will be complex and will take all of three months. We intend to start it in April.

Examining Officer and Responsible Minister

6. We have provisionally identified Mrs J White, one of our economic advisers, as the examining officer. The responsible Minister would be Mr Raison.

10 DOWNING STREET

From the Principal Private Secretary

26 January 1983

D/F

Dear Private Secretary

Centrally Co-ordinated Efficiency Exercises 1983:
The Scrutiny Programme

The programme of Centrally Co-ordinated Efficiency Exercises proposed in the Lord Privy Seal's minute of 26 November has been agreed by Ministers. It envisages up to 30 further departmental scrutinies and 3 multi-department reviews.

I am writing to invite proposals for the scrutiny programme. Ministers are asked to send these to the Prime Minister by 11 February and to copy them to the Lord Privy Seal and Mr.Cassels.

The target size of the scrutiny programme has again been kept small, having regard to other work in hand or in prospect. So topics should be substantial and significant in terms of the activities or policies of the department. Wherever possible they should also promote the Government's longer-term aims for improving Civil Service management. The Prime Minister will have these factors in mind when considering their suitability for inclusion in the programme.

Specific areas likely to provide strong candidates for scrutinies are:

(1) Whether the policy processes in use provide Ministers with the right material at the right time on which to take decisions and with adequate information and methods by which to assess the cost-effectiveness of the action taken.

(2) Large executive questions which are relatively self-contained.

(3) Areas of work involving specialist groups (e.g. lawyers and accountants).

/ (4)

(4) The arrangement by which advice, information and help are provided to the public and outside bodies (e.g. the preparation and publication of advice - leaflets, articles, films, advice and information provided by visits).

(5) Administrative tribunals (e.g. appeals boards).

(6) The efficiency and value for money of selected Non-Departmental Public Bodies.

Ministers are invited to put forward at least one scrutiny. Those in charge of larger departments are invited to propose more than one. Each proposal should, as in previous years, contain brief information on:

(1) Subject: the policy, function or activity to be examined.

(2) Cost of the policy, function or activity, and the number of staff involved.

(3) Reasons for selecting the subject.

(4) Terms of Reference.

(5) Proposed starting and finishing dates.

(6) Names of examining officers, if known, and Ministerial reporting arrangements. (In selecting staff to conduct scrutinies Ministers are asked to bear in mind the importance of putting examining officers in charge who have the questioning mind and good judgement fundamental to the scrutiny technique).

Work on scrutinies should not start before proposals have been agreed by the Prime Minister. The programme should begin as early as possible in the year but there is no need for all scrutinies to start on a common date. Notes of Guidance for examining officers will be re-issued shortly and briefing for examining officers will be arranged subsequently.

I am copying this letter to the Private Secretaries of all Ministers in charge of Departments and to Sir Robert Armstrong, Sir Douglas Wass, John Sparrow and John Cassels. Ian Beesley (273 5226) in the Rayner Unit can provide further advice if it is required.

Yours sincerely,

Robin Butler

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