

010
MR ANSON

cc

Mr P Gray

I hope this gives you enough
background on the guidelines.
We will proceed as recommended
unless you tell us otherwise.

John Gieve

FROM: JOHN GIEVE

DATE: 28 January 1988

cc

PEX
Miss Walker
Miss James
Mr Mortimer
Mr G C White
Mr Binns
Mr St Clair
Mr Welsh
Mr J Jones
Mr Mercer
Mr Meadows
Mr Tarkowski
Mr Potter
Mr A M White

PREPARING FOR THE 1988 SURVEY

We need to decide on the content of the guidelines for the 1988 Survey and the timetable for clearing and issuing them.

Content

2. I attach a first draft. Our post mortem on the 1987 Survey did not suggest any substantial changes in either the rules or the timetable adopted last year so the current draft follows last year's closely. The draft reflects comments from LG on local authorities, EC on EUROPEs and European Community Expenditure, PE on nationalised industries, TOA on contingent liabilities, RC on running costs and manpower, and FM and MSOR on output and performance information. Perhaps the main points of interest are the following.

1. Timetable - as recommended by the post mortem this follows the original timetable proposed for 1987; the only material change has been to the date for submission of information on value for money which has been brought forward by 2 weeks for the reasons set out below.

11. EUROPEs - following the suspension of this system last year, we need to make adjustments to departmental baselines

in the 1988 Survey. Negotiations on the basis for these adjustments are still in train. The guidelines propose that a separate guidance note should be circulated setting out in detail what changes should be submitted on running tallies by departments in the baseline exercise (see paragraph 7). It is for decision how departments should apportion these reductions between their various programmes - especially where there is no domestic equivalent of the relevant European scheme. One option would be to record the EUROPES deductions in a separate line simply as an adjustment to the departmental total. Both EC and I think this would almost guarantee restoration of the EUROPES reduction in the Survey negotiations so the guidelines propose that the reductions should be made to specific sub-programmes.

iii. Policy evaluation - the paragraphs on value for money and bids have been altered to ask for details of policy evaluations and reviews. We have dropped the annex spelling out the requirements but plan to revise and recirculate the PESC(WM) paper giving detailed guidance.

iv. Running costs - RC division have redrafted the section to refer to the firm 3-year agreement and the paragraph on Ministerial bids now asks also for management plans.

v. Official letters - we have amended the economic category breakdown requested to bring it into line with the categories of use to the forecasters (in particular this specifies pay as opposed to running costs, which is an administrative category, and distinguishes grants and net lending overseas from domestic grants and net lending.) We also propose to dispense with the tabular format for official letters that was recommended last year. We had hoped that these tables could be brought together and circulated to Cabinet as the list of additional bids. In the event, that did not prove possible and many departments appear to have ignored the format - often for good reason. However, we propose to consult TPEC on whether or not this would be damaging.

vi. Science and technology - we have introduced a marker to remind departments that we will be monitoring the level of science and technology spending through the Survey.

vii. Contingent liabilities - following difficulties in 1987, TOA wish to include a full annex on this exercise.

Value for Money

3. The post mortem recommended that we should repeat last year's exercise on value for money information at the start of the Survey. The Election effectively prevented Ministers becoming involved but divisions reported that it had been useful. We have been discussing with FM and MSOR how that and other parts of the Survey could be built up to provide more effective encouragement on value for money. The Chief Secretary has asked for ideas on this. FM consider that the key to further progress is the development of better output and performance measures and more effective use of such measures to define targets and to inform expenditure decisions. They consider that it is important that the collection and use of this material should be linked to the Survey negotiations in order to win the commitment of both expenditure divisions and departments. There seem two main way of building up this aspect of the Survey:

a. the first is to build up the OPM exercise in April/May by asking for the information earlier to give divisions longer to examine and discuss it (at a point when departments are preparing their PES bids), by FM and MSOR reviewing with expenditure divisions in preparation for the exercise what are the key areas for improvement in each programme, and by following up the official level discussions in a few areas with letters from the Chief Secretary on particular areas of weakness or proposals for improvements. The guidelines bring forward the date for submission of information by 2 weeks in line with this approach and indicate that the exercise will concentrate on using the OPM to evaluate programmes and set targets (rather than repeating the Budgeting exercise which looked at systems);

b. by seeking to set certain VFM targets in the Survey bilaterals; FM have suggested that we should aim to agree targets in a few areas; my own view is that opportunities may arise for pressing for tough performance targets as a condition of financial concessions and expenditure divisions should be alert for those possibilities but that the pressure of time and the nature of the negotiations make the bilaterals an unsuitable forum for pursuing VFM targets in their own right.

Timetable for clearance

4. Last year we made two significant changes to the guidelines: the abolition of the Survey report and the ending of manpower targets after 1988. The procedure for clearing the guidelines was, therefore, quite complex and involved:

5 February - minute to PM and Lord President only from Chief Secretary (copy attached)

12 February - minute to Cabinet setting out the guidelines in general terms (copy attached)

11 February - TPEC discussion of guidelines

26 February - draft guidelines sent to PFOs

3 March - Inner PESC meeting

16 March - draft guidelines to Cabinet including uplift factor

end March - guidelines issued.

5. Since we propose to stick close to last year's guidelines in 1988, we do not think it should be necessary to clear them in advance with the Prime Minister and Cabinet and propose, therefore, that the next step should be to put them to TPEC and then to PFOs in February with a view to the Chief Secretary circulating them to the Prime Minister and Cabinet on the day after the Budget as last year.

At some point

in the next six weeks or so Treasury Ministers may wish to write to the Prime Minister on public expenditure prospects but there seems no particular need or advantage to do so at present.

Conclusion

6. Subject to your agreement and comments from other members of PEX, we will circulate the draft guidelines to TPEC next week with a view to a meeting at the end of the following week or the beginning of week commencing 15 February. It may be helpful also to circulate at the same time a draft paper on the OPM exercise.

7. We will put a first draft of the normal guidance to expenditure divisions' to PEX in the second half of February with a view to a TPEC meeting, as last year, in mid-March.

John Gieve

JOHN GIEVE

TPEC - 1 week earlier
⇒

? *Rebuckin*

? *PKS paper this time.*