



QUEEN ANNE'S GATE LONDON SW1H 9AT

22 May 1989

Dear John,

MBB

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PUBLIC EXPENDITURE SURVEY 1989

This letter sets out my proposals for central government expenditure during the years covered by PES 1989. I am writing separately about local authority expenditure.

I have reassessed the planned provision for Home Office programmes against the Government's policy objectives for the Survey period. This has been done as part of an integrated resource and policy planning process based on devolved budgets within the Department. I have identified savings and efficiency improvements. Nevertheless, I must seek the following net increases in financial provision during the Survey period, if the Department is to meet its objectives.

	<u>Existing Provision</u> (£ millions)			<u>Additional Requirement</u> (£ millions)		
	90-91	91-92	92-93	90-91	91-92	92-93
Prisons	1291.2	1291.7	1324.0	165.1	240.3	227.0
Non-prisons	556.6	567.2	581.4	81.5	98.5	92.6
Total	1847.8	1858.9	1905.4	246.6	338.8	319.6

These bids are net of large offsetting reductions as follows:

	£ millions		
Total offsetting savings	32.0	24.6	77.8

Prisons savings include a large reduction in expenditure on the existing PSA building programme in the third year. There are also large offsetting savings for the Directorate of Telecommunications (set against the costs of restructuring proposed below) and significant savings spread around the remainder of the Department.

/The Annex to

The Rt Hon John Major, MP
Chief Secretary to the Treasury

..... The Annex to this letter explains the detailed expenditure proposals and the reasons for making them.

DIVERSION FROM CUSTODY

We must continue and strengthen our efforts to deal with prison overcrowding and to improve conditions. Recent events at Rislely have highlighted the need for action. One vital element is reducing demand for prison accommodation, by decreasing the use of custodial sentences and cutting the remand population. We must act now to obtain significant benefits in the future. It is encouraging that the sentencing statistics for 1988 show a fall in the use of immediate custodial sentences for indictable offences to 17%, as compared to 18.2% in the previous year, but we need to keep up the impetus. We agreed in PES 1988 to a diversion package for additional bail accommodation and supervision in the community. I propose an expansion of that programme. On the remand side, I propose provision for 352 hostel places. For supervision, I propose the addition of twenty-five further voluntary sector projects to encourage non-custodial sentencing. My separate letter on local authority expenditure includes proposals for additional day centres, together with probation manpower to service these developments. I estimated that the diversion package agreed last year could lead to a saving of 1,000 prison places by the end of 1991-92 and this is reflected in the projections set out in the Annex to this letter. The expansion of the diversion package now proposed could save around a further 950 prison places by the end of 1992-93. I have considered this potential saving in framing the bids for prisons expenditure set out below. But given the margin of error in the projections for both the proposed savings and the prison population I have not, at this stage, thought it prudent to adjust our planning assumptions.

PRISONS

In the course of last year's PES discussions I made clear my serious concern about the existing and likely future pressure of overcrowding and poor conditions in the prisons. I was very grateful for your recognition of these difficulties and your agreement to allow us to plan for the provision of a substantial number of extra prison places in order to provide some much needed relief for the prison system in the short term, and to move some way towards our goal of eliminating overcrowding. Since then a lot of work has gone into planning for the delivery of this substantially enhanced building programme. Though, as you will know, we are encountering some difficulties - for example the proposals to use the private sector to design, develop and construct three remand centres have not gone smoothly - I am, nonetheless, generally satisfied that we are making good progress.

/The Annex

The Annex to this letter sets out the latest population projections and the projections for CNA which together form the backdrop for our discussions. The population projections reflect the movement of the population over the last year when, as you know, the population has been lower than expected. Nevertheless we still face a very tight position in this year and in 1990-91, though with the prospect of some relief thereafter until 1994-95 when the projected shortfall starts to rise again. This would still be the case if the diversion package I have proposed is accepted, and it produces the forecast benefits. Indeed there may well be peaks in the population which worsen the shortfall very substantially.

With the amount of building work planned it would clearly not be practicable to try to add yet more accommodation to the prison estate within the current Survey period. But once we are outside the immediate PES period we face, as I have said, a rising shortfall of accommodation. I am certain that we must maintain the momentum, so helpfully established in PES last year and in 1987, towards the elimination of overcrowding. My proposals therefore include a bid for four new prisons, to come on stream between 1994 and 1996. These prisons, each providing 600 places, should enable us to reach our goal of eliminating the shortfall by about 1996 if the trend in the prison population does not deteriorate. It is, of course, difficult to gauge these matters with precision so far in advance. Any surplus of accommodation in 1996 or thereafter, however, would of course enable us to consider rationalising the prison estate, perhaps leading to eventual disposal of one or two sites, the advantages of which we both recognise.

Important though they are, the purpose of the new prisons will be to enable us to cope and to improve our position in the medium term. As regards the immediate future, as I have said I do not think that there is anything which we can sensibly do by way of further place provision over and above the existing plans. We must, however, maintain our progress on delivery of planned prison places, both at new prisons or by additional places at existing establishments, and we must also ensure that the fabric of our establishments is maintained so as to avoid any reduction in capacity. The major part of my building bid is aimed at achieving these objectives. There is, in the second of the PES years, a bid of £52.5 million to help us to keep on course PSA expenditure for the existing prison building programme. (This is, however, offset by savings in the first and third PES years). A small bid for land purchase is also necessary partly to reflect a more accurate assessment of costs, particularly in the South East, and partly to enable sites to be purchased a little earlier so as to avoid delays to the programme caused by planning difficulties.

/But the major

But the major part of the bid is for the Directorate of Works (DOW) programme. Your officials were aware last year that work was in hand to rationalise the DOW programme, for which I made no bid last year, and that a bid for the funding consequences of this was likely this year.

The DOW programme has traditionally been the area which we have looked to when savings have been needed to fund other urgent priorities. This has been possible largely because the programme was more a statement of desirable projects than what it should be, a properly costed, timed and prioritised plan of work. Clearly this was not a satisfactory state of affairs. Apart from the obvious management problems, it meant that there was no way either of measuring performance against planned activity or of judging whether sufficient resources were being made available, in terms of manpower and money, to keep the prison estate in a reasonable condition. A considerable amount of time and effort has therefore been devoted to scrutinising and ordering the DOW programme during the last twelve months. Each project has been examined individually and about 80 have been weeded out. Even allowing for this pruning of the programme, however, the work which has been done reveals that DOW is substantially underfunded to carry out the work which I am satisfied is essential. This includes place producing projects (e.g. houseblocks) the importance of which, particularly during the next couple of years, is self evident; integral sanitation projects; urgent security work; work involved in commissioning new prisons; work which is needed on health and safety grounds; essential maintenance; and major refurbishment and redevelopment projects, such as that at Risley, which are of crucial importance for the long term future if we are to provide acceptable conditions, both for inmates and staff, and to minimise the risk of losing places, whether as a result of riot or simply because of the deterioration in the fabric of the estate.

I have considered this element of the bid very carefully. I recognise that we are asking for a substantial increase in resources for a part of the organisation which has not, in the past, had a good record of delivery. But I am satisfied that its past record was very much a consequence of a different management approach: its very much improved performance over the last two years (expenditure of some £71 million in 1988-89 compared to some £43 million in 1987-88 and £28 million in 1986-87) certainly supports this view and I am confident that the organisational and managerial changes which have been and are being made will enable it to deliver the programme which I consider essential and which is implicit in the bid.

Turning now to prison manpower, the new prison places for which I am bidding will not have manpower consequences during the

PES period. My bid for manpower is therefore relatively modest in size. The only significant bid is for 1992-93 and is needed largely to provide manpower for the additional places due to come into use in that year. As I pointed out in my letter to you last year, increases in the number of inmates, prison officers and prison places increase the burden of work on staff at Headquarters, regional offices and for non-prison officer grades working in prison establishments. If they are to cope with this, together with the implementation of new policy initiatives and the rising workload, (for example for staff in the Directorate of Works), then, notwithstanding efficiency improvements there is a need to increase staff levels. My bid therefore seeks money for this purpose also.

The remaining bids are described in more detail in the Annex. As usual they cover a miscellany of important activities, many of them non-staff operating costs in prison establishments and Headquarters and a number, for example bids for increased permanent transfer costs and for training requirements, related to the increased number of prison officers due to be recruited during the period.

You will notice that I am not bidding for any money to cover the costs of housing prisoners in police cells or other emergency accommodation. We have made much progress so far this year in reducing the use of police cells and a good deal of effort is being devoted at all levels of management to ensuring that this performance is maintained and improved upon. The Prisons Board has set as a key priority for the Service for 1989-90 the achievement of a rate of 98% of occupational capacity and I hope that this continued emphasis on making full use of the existing estate, coupled with progress on the building front will mean that by 1990-91 we can reduce to an absolute minimum the use of police cells, thus removing the need for any additional provision for this purpose. Risley has of course, reminded us that we may have to have recourse to them in emergencies, but I do not think we can or should plan for that in financial terms on a contingency basis.

IMMIGRATION AND NATIONALITY DEPARTMENT

The significant increases in resources for Immigration and Nationality Department which you agreed in PES 88 have contributed to real improvements in the service provided by the Department, for example through the creation of the Liverpool Nationality Office (LNO). The LNO has already cleared more than 30,000 citizenship applications and is on course for clearing all applications made before the end of 1987 by 31 March 1990. Nevertheless, further increases are necessary in 1990-91 if the level of service achieved in IND is to be at least maintained, and at best improved. We need to increase the resources available to

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deal with the growing number of appeals. The bids mirror those being made by the Lord Chancellor's Department. We are looking for long term relief by procedural and other measures, but backlogs are already unacceptable, leading to considerable public criticism. The intake of cases by the appellate authorities has increased by 50% and the backlog had almost doubled to 13,000 by the end of 1988. The number of cases awaiting the despatch of statements in IND has increased to 3,500, and the production of statements in non urgent cases now takes 23 weeks against the target of 13 achieved last year. The proposals for additional manpower to manage IT developments are also very important. I am offering savings for Immigration and Nationality Department in the last Survey year. There are plans for increased staff in the Immigration Service, mainly to staff the new international terminals at Stansted, Birmingham, Manchester and Sheffield, which will open during the Survey period. There is a smaller bid for traffic growth at other sites. The bids have been reduced by £0.9 million to take account of efficiency savings through the streamlining of procedures. The proposed increases are lower than the forecast rate of traffic growth over the Survey as a whole. They are necessary to give effect to our policy of maintaining effective immigration controls. Given the rising traffic forecasts, failure to make such provision would lead to intolerable delays for travellers, damage to the economy, and justifiable criticism of our forward planning. I am not bidding in this Survey for the resources necessary to staff the Channel Tunnel, planned to open in 1993, because the requirements are not sufficiently clear. I will return to this in PES 1990.

PASSPORT DEPARTMENT

I attach considerable importance to providing a decent standard of service in issuing passports. Performance has improved, but there are still many constituency complaints and the Home Affairs Committee take a considerable interest. At present (near the peak of the passport season) a straightforward postal application is taking 20 days in London and 59 days in Liverpool. Demand for passports has increased with economic prosperity, with a rise of 14% in 1988-89 and a forecast of 14% this year, and 9% next. Computerisation is underway, but it has not, as yet, brought the hoped for benefits in full. I am convinced that the baselines do not include adequate provision to meet the current and future levels of demand. I must seek a substantial increase in manpower. The bid will allow us to cut the target processing time for passport applications to 5 days by the end of the Survey period. The size of the bid has been reduced by assuming cumulative efficiency savings (of 5% in 1990-91 and 2% in 1991-92 and 1992-93). I appreciate that passport fees are not counted as negative public expenditure. Nevertheless, the effect of increasing the output of the Passport Department will be to boost

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receipts to the Consolidated Fund, offsetting the increase in expenditure. If adequate resources are not provided delays in obtaining passports will mount out of control, and Passport Department will have to spend more and more time on complaints and urgent cases, and be unable to provide a proper service to the general public.

FORENSIC SCIENCE SERVICE

I am increasingly concerned at the deteriorating level of service which the Forensic Science Service (FSS) is able to provide to the police and fire service. Forensic science plays a vital role in police effectiveness in tackling crime, particularly serious crime. As a result of resource restrictions, the number of cases dealt with has been decreasing and delays have been increasing. In 1983, the Service dealt with 35,954 cases, with an average turnround of 24 days. In spite of a 15% efficiency improvement between 1983 and 1987, in the latter year the FSS dealt with only 27,797 cases, with a 30 day turnround. Together with the new management team we have established a strategy for the FSS, and set a standard for the level of service needed to support the police and fire service. The target is to increase the total number of cases dealt with, both in absolute terms, and in relation to the number of serious crimes committed. The manpower bid represents the additional resources required to provide this service, taking account of significant efficiency savings.

DIRECTORATE OF TELECOMMUNICATIONS

Effective communications are vital to the operational efficiency of the Police and Fire Services in England and Wales. The future of the Directorate of Telecommunications was discussed in the course of PES 1988. From 1 April this year the Directorate has been charging police and fire authorities for the installation and maintenance of telecommunication equipment. Authorities are free to go to the private sector for these services if they wish. The settlement reached in PES 1988 assumed that the Directorate as a whole would produce a large cash surplus in each year in public expenditure terms, and that the trading account for the field services operation would show a balance between charges and costs. As a result of the introduction of direct charging and competition from the private sector, significant overcapacity within the Directorate has been identified by management, and it is clear that charges set at a level to recover costs would make the Directorate uncompetitive. We have a radical plan to reduce costs. But the scale of overcapacity is such that the restructuring necessary to achieve a competitive cost basis would, if imposed on too short a timescale, threaten the viability of the organisation. I cannot risk the

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consequences which the collapse of the Directorate would have for police and fire service operational capability. The private sector has yet to demonstrate capacity or even desire to handle the whole span of the Directorate's work. Time will be needed to establish adequate alternatives to the Directorate services.

The Directorate has a detailed strategy to reach competitive cost levels by April 1992. It has already announced a cut in its complement of 247 by 1 April 1990. The strategy will involve significant redundancy and reorganisation costs. Taking account of these extraordinary costs, the Directorate as a whole will produce a reduced cash surplus in public expenditure terms during restructuring, and this gives rise to PES bids. If the extraordinary costs are excluded the trading account will show a deficit in the first two years, but break even in the third year. My officials have already begun to discuss these issues with yours.

CRIMINAL INJURIES COMPENSATION

I will be writing to you soon to report the outcome of the reconsideration of the scheme I agreed to in the course of last year's bilateral discussions. I have reviewed the current performance of the Board, and the realistic targets for output during the Survey period. I am prepared to plan on the basis that the Board will not make compensation awards in excess of the provision already available in the baseline for 1990-91. This has greatly reduced the size of the total non-prisons bids for the Home Office. As your officials know, we are pursuing various efficiency initiatives with the Chairman of the Board, which should have the effect of improving the Board's output in later years. This adds a further uncertainty to the forecasting process for 1991-92 and 1992-93, and I propose that we should not change the baselines for these years in this Survey. We would then return in PES 1990 to the level of expenditure in 1991-92 onwards.

PUBLICITY

Crime prevention publicity and encouraging community involvement in support of the police are vital to our strategy to tackle crime. This has led me to propose two significant initiatives for publicity campaigns in this Survey period. Our current crime prevention campaign focuses on property crime and aims to influence opinion formers and potential activists. The change in attitudes built and sustained by our campaign has contributed to improved home security and the growth in Neighbourhood Watch. This trend is consistent with the recent reverse in the long term increase in property crime. Continued effort will be needed if the trend is to be maintained. At the

/same time

same time the strong public and media concern over the continuing rise in violent crime is deepening, and it is crucial that we develop our prevention campaign to embrace the main focus of public attention. If we are to have an impact on violent crime, and continue to maintain the momentum on property crime, we must address the campaign to individual members of the public as well as opinion formers, and this will require wider media exposure and higher expenditure. Secondly, I see a need to harness in a positive way the enthusiasm of the public to assist the police in tackling crime. The best approach is to strengthen the Special Constabulary. I am proposing a national publicity campaign to increase public awareness of the value of the Special Constabulary, and to encourage recruitment. This would be additional to, and not a replacement for, local recruitment campaigns. The target would be to increase the numbers of specials to 25,000 (20% of the regular force), as compared to 15,800 (or 13%) at the end of 1988.

MANPOWER

I have already mentioned the main components of the manpower charges I am proposing in this Survey. The complete picture is set out in the Annex to this letter. In PES 88 we reached a three year running cost agreement underpinned by a management plan for efficiency savings, and I know that you, in general, do not expect Departments to reopen such settlements. Nevertheless, I am convinced that the nature of the developments and new demands to be placed on the Home Office during the Survey period are such that they cannot be met from within the provision agreed in PES 88. There are large offsetting savings in manpower for the Directorate of Telecommunications, and other savings elsewhere. I have also looked at the full cost to the Home Office of the pay awards agreed by the Treasury for Civil Service grades as compared to the provision for pay increases included in the three year running cost settlement. The settlement provided for a 7% increase in 1989-90 followed by increases of 6.5% and 6%. The full year cost of the recent pay awards for non-prison manpower in the Home Office will be 12.1%. In 1989-90 I will have to constrain expenditure, if at all possible, within provision set out in Budget Estimates. It is already clear that this is putting a great strain on the Department, even though the full year cost of the awards will not have to be found in 1989-90. But I must bid for additional provision in the Survey years to reflect the additional 5.1% increase in salary costs over and above that provided for in the baselines. For prisons manpower bids are needed for the same reasons, though there are two complications. For non-industrial staff in regional offices and prisons the cost of the pay award varies according to location, and for prison service grades the pay award was different. The total shortfall between provision and the actual costs of the pay

/awards for all

awards for all Home Office manpower in a full year is over £14 million. Failure to secure this sum would involve significant cuts in Home Office programmes. I have also bid for a 6% increase in pay costs in 1992-93 (3.5% above the general uprating) (with some differences for prison manpower) and to bring the increase for prison service grades into line with those for civil service grades.

RUNNING COSTS AND MANAGEMENT PLAN

My officials will be providing yours with details of the running cost implications of my bid together with the updated version of the Home Office Management Plan. The Management Plan will be the subject of discussions between our officials. This year I would hope to see the Management Plan extended to cover more of the non-prisons programmes within the Department.

OTHER MATTERS

There may be a need for me to make further bids later in the Survey, for example to adjust the planned expenditure on the Fire Service College to take account of detailed work on our decision to transfer the costs to local authorities. I have bid for a small sum for the establishment of the Independent Television Commission on a shadow basis after the Second Reading of the Broadcasting Bill, probably early in 1990. I see considerable difficulty with the proposal from your officials that the ITC should be classified as a central government non-trading body. I will write to you on this. If the ITC were so treated there would be a need for large bids.

PRIORITIES

I have considered whether it would be possible to set my proposals in any order of priority. Those relating to crime and criminal justice are part of the overall strategy to which I attach the highest priority, but in the other non crime areas I have also been careful to put forward only those bids which I consider to be of high priority.

I am sending a copy of this letter to the Prime Minister, the Lord Chancellor and the Attorney General.

Yours,
D. G. L.

SUMMARY OF PES PROPOSAL

(All expenditure figures are in f million and columns relate to the three years of the Survey period).

1. PRISONS

1.1 Expenditure proposals for the Prison Service are based on the following projections of population and certified normal accommodation (CNA):

	89-90	90-91	91-92	92-93	93-94	94-95	95-96
Average	46,030	47,900	51,530	55,540	57,880	59,575	60,915
CNA							
Popula-							
tion	51,140	54,200	56,100	58,100	60,000	61,800	63,800
Shortfall	5,110	6,300	4,570	2,560	2,120	2,225	2,885

1.2 Building

The following are the components of the bid for prisons construction, refurbishment, maintenance and repair:

(a)	DOW programme consolidation	135.0	100.9	89.2
(b)	To maintain the existing PSA building programme	-6.2	52.5	-61.5
(c)	Major building and repair	3.1	6.6	9.0
(d)	Land purchase	7.8	-1.0	-1.0
(e)	Four new prisons for 1994-96	19.6	51.6	106.9
Total		159.3	210.6	142.6

1.3 Manpower

The following are the bids for manpower:

Headquarters	4.9	6.5	6.1
S&T Branch	0.5	0.5	0.7
Regions	-3.9	3.8	62.6
Total	1.5	10.8	69.4

These bids include provision to make up the shortfall on the 1989-90 pay award amounting to:

Bid	6.4	7.1	7.7
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(The full year cost of the pay settlement for 1989-90 exceeds by 5.1% the provision for headquarters staff, by 3% the provision

for non-industrial staff in regions and establishments, and by 1.5% that for prison service grades (0.75% for prison service grades subject to the Framework Agreement)).

Also included is the prison service bid for pay increases in the last Survey year (£13.9 million, based on a 6% pay assumption for all staff except those subject to the Framework Agreement, for who the assumption is 3%).

The total manpower bids also include a revised pay assumption, for prison service grades, an increase of 1% (0.5% for Framework Agreement staff) in the first two years of the Survey, to be consistent with the projected increases being applied to other staff.

1.4 Other Prisons expenditure

The bids total 4.3, 18.9, 15.0. They are composed as follows:

(a) Prison Service Industries and Farms. 0.5 0.6 0.7

The bids are consistent with the PSIF Annual Planning Document and include provision to replace obsolete and unsatisfactory weaving machinery.

(b) Supply and Transport Branch. 1.7 1.5 1.1

The bids are to make up for shortfall in PSIF production of inmate supplies and to meet extra demand

resulting from the planned increase in establishments partly offset by savings on store operating costs.

- (c) Seconded probation officers. 0.1 0.1 0.8

The main element of the bid is to cover the cost of providing a probation presence in the new prisons due to come into service and additional staff where existing establishments have been expanded.

- (d) Information technology. 2.2 2.6 0.8

Principal elements are capital expenditure on delayed switchboard and computer equipment purchases and bids for the additional use being made of computer consultancy services, for example to maintain equipment and upgrade software.

- (e) Other Headquarters expenditure. 7.1 15.6 10.1

This covers a large number of varied expenditure items some of which are to meet extra demand resulting from the projected increase in prison places and staff numbers.

- (f) Regions (Other). -7.3 -1.5 1.5

Savings in the first two Survey years resulting from the lower than expected projections of the prison

population are offset in particular by increased accommodation coming into use, increase in staff and increased prices.

2. POLICE

2.1 Forensic Science Service

Manpower bid	0.7	1.7	2.0
Non-manpower bid	2.0	2.7	3.0
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Total bid	2.7	4.4	5.0

The manpower bid would allow the FSS to provide a target level of service based on the projected increase in the level of serious crime; trends in the rate of referral of such crimes; and changes in turnround time. The target is consistent with the level of service provided in 1983, taking into account developments such as DNA testing. The bid would allow the recruitment of an additional +17, +57 and +68 scientific staff during the Survey period. There is also a bid for +15, +30 and +30 non-scientific staff to improve administrative support and civilianise existing police liaison officer posts (with offsetting savings on seconded salaries). Provision for local pay additions is also included. There has been a 15% efficiency improvement in terms of exhibits examined between 1983 and 1987. The bid assumes a further improvement of 2% in 1991-92 and 2% in 1992-93. The non-manpower bid includes additional staff

overheads and accommodation costs associated with the increased manpower, and the cost of relocating the Central Research and Support Establishment.

2.2 Police National Computer Organisation

Bid	0.1	4.9	-0.9
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This bid represents provision for consultancy services to support PNC 2 and other developments; estimates of telecom service requirements; a replacement for the Metropolitan Police's Videofile system for storing fingerprint records, which is coming to the end of its useful life; and early studies on a number of other new systems. There are large offsetting savings for vehicle, plant and machinery and through increased receipts.

2.3 Directorate of Telecommunications

Manpower bid	-1.9	-3.4	-4.3
Non-manpower bids (changes in expenditure, other than manpower, and in receipts)	4.6	5.0	7.0
Extraordinary costs of redundancy and restructuring costs outside the D/Tels budget	5.0	-1.7	0.9
Total PES bid for restructuring proposals	7.7	-0.1	3.6

The negative manpower bid for D/Tels is based on forecast reductions of 177, 276 and 310 staff as compared to the staff numbers implied by the PES 88 settlement. This is part of a

general restructuring of the Directorate. D/Tels is moving out of the rental market for police and fire service radio equipment and concentrating on the installation and maintenance business, in competition with the private sector. The PES 88 settlement assumed that the Directorate as a whole would produce a large cash surplus in public expenditure terms, and that the trading account for the field services operation would break even, with charges covering costs (including return on capital and superannuation). The settlement also assumed a 100% market share for D/Tels in order to ensure that adequate resources were available, given the uncertainties of the impact of charging. Since the settlement the Directorate has lost 9% of its business, and we are assuming a further loss of 10% in 1990-91. It is also clear that to continue to set charges at a level to cover current costs would result in a major loss of business. To overcome this, costs must be reduced by removing over capacity and improving efficiency. But the scale of the reductions needed is huge and would threaten the viability of the organisation if they were achieved in a single year. We have therefore produced a strategy for D/Tels to reach competitive cost levels by 1992-93. There are large extraordinary costs for redundancy and restructuring, with offsetting income from extraordinary sales. Outside the current PES period there will be further redundancy costs of around £12.2 million. During the Survey period the Directorate will produce a smaller cash surplus in public expenditure terms. This gives rise to PES bids. The trading account for the field service operation would, if the extraordinary costs and receipts are excluded, show a deficit of £4.4 million in 1990-91 and £1.4 million in 1991-92, but break

even in 1992-93. The strategy makes no assumptions about new business which, if achieved, would yield a significant contribution.

2.4 Police Training

Bid	5.3	5.3	2.6
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This includes a bid for the Police Staff College to improve the condition of the building and student accommodation, and Police Training Centre bids for replacement accommodation and the refurbishment of existing accommodation. It also includes provision for the relocation of the Crime Prevention Centre.

2.5 Central Units

Bid	0.7	0.8	0.8
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This bid is mainly for the creation of a National Football Intelligence Unit and an Animal Rights National Index.

2.6 Explosives and Counter Terrorism

Bid	4.5	1.8	0.7
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The bids are for helicopter support, a specialised response force and a counter-terrorist liaison officer. There are offsetting savings in the final year on explosives expenditure.

2.7 Other Police non-manpower

Bid	5.5	4.4	2.7
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The bid includes a collection of important items. The largest is for revised estimates of building costs for new buildings for the Scientific Research and Development Branch. Others include Safer Cities and the Police Complaints Authority.

3. CRIME

3.1 Criminal Injuries Compensation

Bid	-	0.3	0.6
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There is no bid for additional compensation payments in 1990-91. This is based on a forecast of 43,000 resolutions in that year, with a 9% increase in the level of award between 1988-89 and 1989-90, and the same rate of increase between 1989-90 and 1990-91. The level of provision in 1991-92 and 1992-93 will need to be considered in PES 1990. The above bid relates to administrative expenditure. We are not bidding for additional staff for the Board, but there is a bid for extra provision to cover increased costs, such as pay awards, not fully reflected in earlier PES rounds. There are offsetting savings in the earlier years as a result of the relocation of some staff to Glasgow, but accommodation costs are forecast to increase in the final year.

3.2 Diversion from Custody

Alternatives to remand bid	5.7	8.4	9.6
Supervision bid	1.0	2.3	2.6
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Total bid	6.7	10.7	12.2

The objective is to expand significantly the diversion package agreed in PES 88 in order to reduce the pressure on prison places by providing alternatives to remanding defendants in custody, and by encouraging non-custodial sentences. The bid combines two sets of proposals:

- (a) A remand package: this will provide 186 new bail hostel places over the PES years, plus the replacement of 44 existing probation hostel places, 22 new probation hostel places for an intensive probation scheme and the refurbishment of current and planned new stock.
- (b) A supervision package: a central government supervision package would provide twenty-five new voluntary sector projects (and the extension of two existing projects for a further twelve months), and cash bids.

There are also local authority bids covered in the separate

letter. The complete expansion of the diversion package (including the local authority elements) could save around 950 further prison places by 1992-93.

3.3 Victim Support

Bid	1.3	1.7	2.2
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The bid is to allow the creation of an additional 150 new Home Office funded posts (including county coordinators), in victim support organisations by the end of the PES period, together with a court demonstration project and additional headquarters work in administering local grants. The object is to provide additional paid coordinators to secure the creation of schemes in areas not currently served, and to improve the quality of schemes so that they are able to secure and deal with referrals for serious crime.

3.4 Drugs

Bid	1.0	1.0	1.0
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The bid is intended to improve the effectiveness of efforts to cut the illicit drug supplies entering the UK by increased international assistance.

3.5 Other Crime

Bid	3.6	3.4	3.7
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This bid covers a number of smaller elements including magistrates' courts and probation training, electronic monitoring, increased aftercare grants, increased grants to RELATE for marriage guidance work and research.

4. NON-CRIME

4.1 Immigration and Nationality Department

Manpower bid	1.3	3.9	6.5
Non-manpower bid	2.8	16.7	12.0
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Total	4.1	20.6	18.5

The manpower bid includes changes in staff for B Divisions of +38.5, -6.5 and -6.5. The main bids in the first year are for appeals, IT and recruitment. There are Immigration Service bids for an additional +47, +135 and +247 staff, most of which are to man new terminals at Stansted, Birmingham, Manchester and Sheffield (+21.5, +83.5 and +152.5) with a bid for traffic growth elsewhere of +20.5, +46.5 and +89.5. Over the Survey period as a whole the proposed increases in Immigration Service manpower are lower than the projected rate of increase in traffic. The largest element in the non-manpower bid relates to detention facilities, for the higher than expected cost of the new detention facility at Hayes, and additional interim detention accommodation pending the completion of Hayes. PSA estimates of

the cost of the Hayes facility have recently risen from £10 million to £20 million. Although the costs are high, failure to provide adequate detention facilities leads to higher costs in the form of prison or police cells, costing £34 per night and £200 per night respectively. There are also bids for increases in personnel overheads to reflect the large manpower bids, and for IT. The larger elements in the IT bids are for the computerisation of the Suspects Index and a file tracking system both of which will lead to improvements in efficiency.

4.2 Passport Department

Manpower bid	4.6	4.6	4.7
Non-manpower bid	3.2	3.3	3.3
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Total	7.8	7.9	8.0

There are bids for significant increases for provision for Passport Department manpower. The provision is intended to pay for a mix of additional permanent staff, overtime and casuals. The permanent staff equivalent is +450, +422 and +395, but less than half of this increase in manpower is planned to be in the form of additional permanent staff. The bid is to allow the Passport Department to cope with increasing demand for passports. It assumes a need to increase output by 14% in 1989-90 and a further 9% in 1990-91 to meet increased demands, and takes into account improvements in staffing efficiency (5% in 1990-91 and 2% in the second and third Survey years). The target is to reduce

the average time for processing straightforward passport applications to five days by 1992-93.

The two principal elements in the non-manpower bid are increased provision for stationery to reflect higher demand for passports and the introduction of computerisation, and a bid for the abolition of re-entry visas. Re-entry visas are available to most people subject to a visa requirement who have already entered the country but who wish to leave temporarily and intend to return. Their issue is automatic to those who meet the criteria and it is virtually impossible to refuse readmission to someone who has one. If they were abolished, the Immigration Rules would be amended so that absence of a fresh visa would not be an impediment to re-entry in certain circumstances but immigration officers would determine at the ports in each case whether the passenger was to be readmitted. Although unlikely, the refusal of a returning passenger would become easier. The effectiveness of the immigration control would thereby be increased, and the work entailed in issuing re-entry visas dispensed with. However, abolition has a net cost because receipts from re-entry visas exceed the costs of issuing them so that the savings in costs from abolition will not cover the loss of receipts. Nonetheless, abolition will reduce gross running costs and the continuation of re-entry visas has no justification in value for money terms.

4.3 Commission for Racial Equality and Equal Opportunities

Commission

CRE bid	3.0	3.0	3.2
EOC bid	0.6	0.8	1.1
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Total	3.6	3.8	4.3

There are two elements to these bids. First, resources available to the CRE and EOC have been squeezed in real terms over recent years by the gap between pay and price factors applied to the grant and actual increases (which in the case of pay follows Civil Service rates). The gap for the CRE is £0.8 million and for the EOC £0.4 million. A bid is therefore necessary to restore the level of resources available to allow the Commissions to perform their current functions. Secondly the remainder of the bids relate to new strategies put forward by the Commission. The strategies represent valuable attempts to prioritise and plan the use of resources, and include detailed costings. The bids represent reductions on the amounts sought by the Commissions (£4.2 million for the CRE and £1 million for the EOC).

4.4 Publicity

Bid	6.0	6.1	6.3
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There are four elements to the publicity bid.

- (a) A crime prevention initiative. A bid for £3.1, £3.2 and £3.4 million per year to develop the existing crime prevention campaign to include violent crime and to influence a wider audience.
- (b) Police special constabulary recruitment. £1.5 million per year. The aim of the campaign would be to promote the image and value of the special constabulary as a means of increasing recruitment. The target would be to raise the number of specials to 25,000, 20% of the regular force (as compared to 15,788, or 13% of the regular force at the end of 1988).
- (c) Other publicity. £0.7 million each year. The largest element is a bid for publicity for overseas voting rights.
- (d) Cash bid. £0.7 million each year to reflect inflation of 10% in advertising costs as opposed to the 2.5% allowed in PES 88.

4.5 Domestic Budget

Bid	2.8	4.6	4.6
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The two main areas of the bid are for information technology and other support services. The IT bids for 1990-91 and 1991-92 in PES 88 were limited to the mainframe computer at Bootle and the

computerisation of passport issue. The current bid includes a number of identified systems (such as changes to the CICB and magistrates' courts computerisation plans) together with a rising profile of expenditure on small systems. Expenditure on maintenance is forecast to continue to grow as the amount of IT in the Department rises. The other main element in the bid is for staff relocations and higher telephone charges.

4.6 Civil Defence and Fire

Bid	3.8	4.9	3.3
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These bids relate primarily to civil defence, and the largest element in the civil defence bid is for capital expenditure on the replacement of two zone HQs in Scotland.

4.7 Equal Opportunities, Broadcasting and Other Work

Bid	3.2	1.8	-3.7
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These bids (which exclude the CRE and EOC bids referred to above) relate to grants for the reduction of racial disadvantage, refugee grants, the Gaming Board, payments to the FCO for their work on our behalf on overseas voting and the creation of the Independent Television Commission, on a shadow basis, following Second Reading of the Broadcasting Bill. There are significant savings in the final year as a result of a projected increase in receipts for the Data Protection Registrar.

5. OTHER MANPOWER

Bid	3.0	1.8	2.3
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The manpower bids for the Forensic Science Service, the Directorate of Telecommunications, the Immigration and Nationality Department and the Passport Department have been dealt with above because of their size and significance. The residual manpower bid above represents bids for 162.6, 98.8 and 116.8 staff in the remaining parts of the Office.

In relation to crime, these proposals include additional staff for increased international work; the diversion of mentally disordered offenders from the criminal justice system; improved evaluation of the effectiveness of police manpower; and improved management information systems. On the police side there are bids for additional staff to undertake increasing work in relation to international issues, the Metropolitan Police, the new local authority capital controls and the security services. There are also bids for improved administrative support for H.M. Inspectorate of Constabulary. There are increases for Police Training Centres to reflect developments in training, and for the Police Staff College to take account of the increasing number of courses.

There are bids for the Fire Service College to deal with the backlog in training demand, and for the transfer of maintenance staff from PSA to the Home Office. There is also a bid for additional staff to administer grants under section 11 of the

Local Government Act 1966, and for the Voluntary Services Unit.

6. PAY

A detailed survey of the increased salary costs in each part of the Home Office arising from the recent Civil Service pay awards has shown that total increase in the full year for non-prison staff amounts to 12.1%, 5.1% above the 7% factor provided in 1989-90. The bid for non-prisons manpower, to avoid what would otherwise be a volume cut in programmes is:

Bid	8.1	8.4	8.9
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In addition there is a bid of £5.9 million in the last Survey year to bring the provision for pay increases to 6%, as compared to the general uprating of 2.5%. Prison service manpower pay is dealt with in section 1.3 above.

7. OFFSETTING SAVINGS

The total offsetting savings referred to in the covering letter have been made within the following programmes:

Prisons	18.4	12.0	58.5
IND	0.5	-	-
CICB	0.1	-	-
Crime	0.1	-	-
Police	2.4	1.3	2.2
D/Tels	8.9	8.6	9.4

Fire and emergency planning	1.0	1.3	1.2
Broadcasting, etc	0.1	0.8	5.9
Domestic Budget	0.5	0.6	0.6
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	32.0	24.6	77.8