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CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

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C89/2730

The Rt Hon John Major MP
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25 May 1989

John:

1989 PUBLIC EXPENDITURE SURVEY (PES): CLASS XX, VOTE 1 (CABINET OFFICE: OFFICE OF THE MINISTER FOR THE CIVIL SERVICE)

I am writing to let you have my proposals for additional resources for the Office of the Minister for the Civil Service (OMCS) in the period covered by the 1989 Survey.

I would like to start with one or two general comments. We have once again taken the opportunity to involve all the OMCS's Senior Managers directly in the PES process. They have re-ordered their own priorities as far as possible to meet new pressures for higher spending. We have also re-ordered priorities as far as we are able across the OMCS programme as a whole. We plan to continue with that process through the operation of our management accounting system, and have set ourselves some challenging targets for the PES period.

Even so, I am in no doubt that, as a consequence of changes in the workload and organisation of the department since October 1987 (when our current baseline was laid down) coupled with the effect of strict adherence to Treasury requirements for efficiency savings, the baseline provision is barely adequate for the current level of activity and allows no scope for enhanced initiatives or new projects. I have, therefore, had to make a radical reappraisal of the baseline, taking into account the sizeable projects that have arisen since last year's Survey, and the major organisational changes which will come into effect over

the PES period. I have no option but to seek net additional resources of £9,596,000 in 1990-91, £6,514,000 in 1991-92 and £2,698,000 in 1992-93. Included in the bid are additional running costs of £5,555,000 in 1990-91, £5,622,000 in 1991-92 and £2,686,000 in 1992-93. This represents 28% of the existing baseline for 1990-91.

Unfortunately I must also reopen the question of the partial three year settlement, agreed in last year's Survey, for the OMCS (excluding the Civil Service Commission). The new and important challenges, especially the Next Steps initiative, which are the responsibility of the OMCS, together with the major organisational changes in hand, make this an unavoidable necessity. Indeed, until we have completed this cycle of change I cannot see that a three year settlement will be a practical proposition. I would not propose therefore to consider renegotiating our three year settlement in this Survey.

As I have made clear in previous Surveys, the search for year-on-year efficiency gains is an integral part of our planning processes. For reasons beyond our control (notably central pay awards and increases in accommodation costs), our costs invariably increase at a level in excess of the Treasury's PES uplift factors. We have in the past been very successful in absorbing the differences by adopting a rigorous approach to efficiency gains throughout our planning and budgeting cycle and by re-ordering our priorities. I fully expect to meet the commitment that I entered into during last year's Survey to make efficiency gains on our 1988 baselines of 5.13% in 1990-91, 6% in 1991-92 and to meet your requirement for efficiency savings of 7.5% in 1992-93. I cannot offer the same percentages on the proposed new baseline, but we will meet the Treasury's targets of 4.5%, 6% and 7.5%. Details are set out in Annex A. There is no possibility that I will be able to offer any further efficiency savings for the period of this Survey and there are areas of particular difficulty within our existing commitment which I believe merit special consideration.

... The OMCS is responsible for making financial provision for a number of areas which directly support the running of Government and Parliamentary business including, inter alia, the Whips Offices and Parliamentary Counsel Office. (A full list is attached at Annex B). These areas are within our management accounting and planning systems and their finances are subject to the same cost control regime as the rest of the Vote. You will appreciate however that the efficient running of Government and Parliamentary business is largely demand-led and while every

effort is made to achieve efficiency and cost-effectiveness, it must operate for the most part outside of these constraints. Efficiency gains required from the OMCS have in the past been calculated on our full running costs limit, including these areas, but in practice the burden of providing this level of efficiency gains has been borne by the remainder of the department. Voted provision for the department as a whole is now so tight that this is no longer possible. I am faced with a choice between dropping essential functions which support the OMCS role in management of the Civil Service or informing the Government Business Managers that full provision in support of their function cannot be guaranteed. In these circumstances I can see no alternative but to ask that you exempt this part of the OMCS running costs from the requirement to find efficiency gains. Annex B shows the relevant proportions of our 1989 PES bid and associated efficiency gains.

I am not able, as I have been in past years, to absorb changes in the levels of General Expenses and I find it necessary to seek additional funding for pay and accommodation to bring voted provision up to a level at which current activities can be maintained without diminution of service. The bid includes:-

- i) revised pay assumptions for the 1989 Survey, taking into account the new long-term pay arrangements and the estimated cost of Local Pay Additions. These are 10% (5%) in 1990-91, 8% (4%) in 1991-92 and 5% (2.5%) in 1992-93. (Last year's assumptions are shown in parenthesis).
- ii) forecast rent increases on Kirkland House (109%), Alencon Link (4%) and some Civil Service Commission and CSOHS regional offices (24%) (all of which will take effect from 1 April 1990) and general increases in the cost of fuel and utilities. These more than offset reductions in costs as a result of the relocation of the CSOHS Headquarters to Edinburgh and the recent decision by the PSA to fix rents at a constant level between rent reviews.

I am prepared, as part of the efficiency gains to which we are already committed, to absorb 1.5% of our pay assumption increases throughout the period, reducing our pay assumptions to 8.5% in 1990-91, 8.0% in 1991-92 and 5.0% in 1992-93. I can neither offer to absorb or avoid any of the additional accommodation costs at this stage. In these circumstances I require additional running cost provision of:

	£'000		
	1990-91	1991-92	1992-93
Pay	810	1,589	2,001
Accommodation	517	465	435
	-----	-----	-----
Gross	1,327	2,054	2,436
	-----	-----	-----
<u>Less</u>			
1.5% Pay assumption	188	203	213
	-----	-----	-----
Net	1,139	1,851	2,223
	-----	-----	-----

I have summarised my bid for additional resources in the Annex C to this letter. The value for money that we expect to receive from our overall programme will be carefully assessed and monitored via our Top Management System and budgetary processes.

The detail of my proposals for net additional resources in the department in a broad order of priority are set out in Annex D.

I am copying this letter to the Prime Minister.

RICHARD LUCE

Richard

PROPOSED LEVEL OF EFFICIENCY SAVINGS

	£'000		
	1990-91	1991-92	1992-93
Efficiency savings underlying current baseline	1,604	2,022	2,073
Less exemption (see ANNEX B)	-368	-557	-517
Revised level of efficiency savings underlying current baseline	1,236	1,465	1,560
Additional efficiency savings proposed (included absorption of 1.5% pay shortfall)	+27	+333	+776
Proposed new level of efficiency savings	1,263	1,798	2,336
Change	-341	-224	+263

ANNEX B

COMMITTED EFFICIENCY SAVINGS
(1988 BASELINE)
£'000

AREAS FOR EXEMPTION FROM EFFICIENCY SAVINGS	1990-91	1991-92	1992-93
Parliamentary Counsel Office	71	86	108
10 Downing Street	211	250	315
Chief Whip (Lords)	9	10	13
Chief Whip (Commons) and 12 Downing Street	18	22	28
Minister of State's Office and Salary	12	15	19
Opposition Whips (Lords)	1	1	1
Opposition Whips (Commons)	6	7	9
Security for ex-Ministers	10	12	15
Ex-Prime Minister's GCS Costs	4	4	5
Economic Summit	26	150	-
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	368	557	513
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1989 PUBLIC EXPENDITURE SURVEY (PES):
CLASS XX, VOTE 1 (CABINET OFFICE: OMCS)

Summary of Net Additional Bids

	£'000		
	1990-91	1991-92	1992-93
Current Baseline	35,120(31,267)	37,136(33,705)	38,064(34,548)
1. General Expenses (Pay and Accommodation)	1,327(1,327)	2,054(2,054)	2,436(2,436)
2. Prime Minister's Special Communications, Security and the Whips Office	796(658)	954(624)	250(395)
3. Improving Management in Government: 'Next Steps'			
a) 'Next Steps' Team	330(330)	353(353)	371(371)
b) Support	173(133)	171(140)	178(146)
c) Challenge Funding	1,025(1,025)	1,051(1,051)	1,077(1,077)
3. Transfer of IOMU: Expanded Unit	111(111)	119(119)	125(125)
4. Parliamentary Counsel Office	237(123)	220(156)	199(157)
5. Security Ex-Ministers	123(41)	128(44)	134(48)
6. Relocation Civil Service College	2,358(-)	383(-)	-93(-)
7. Civil Service Commission	2,307(1,073)	588(588)	467(467)
8. Management Development Initiatives	87(87)	63(63)	54(54)
9. Equal Opportunities Work	381(306)	206(206)	'172(172)
10. CSOHS - Capital Increased Receipts	+83(-) -83(-)	-(-) -(-)	-(-) -(-)
11. Economic Summit Adjustment	-(-)	-(-)	-2,409(-2,409)
12. Adjustment to Cater for Proposed New Level of Efficiency Savings	+341(+341)	+224(+224)	-263(-263)
13. Proposed New Baseline	44,716(36,822)	43,650(39,327)	47,762(37,324)

Note

Running costs shown in parenthesis

SUMMARY OF ADDITIONAL BIDS

(1) 10 Downing Street and Whips Offices

(i) Prime Minister's Special Communications

The cost of the Prime Minister's Special Communications is shared between 10 Downing Street on the OMCS Vote and the Cabinet Office Vote. You were able to agree a revised expenditure profile for a Ministry of Defence related project during the 1987 Survey and additional funding in Years 2 and 2 of the 1989 Survey. This project is now moving forward to time but, as a result of changes in the project management process in MoD, a further revision of the expenditure levels and profile is now necessary.

(ii) Security Works

Work is in hand to uprate the physical security of 10 Downing Street. PSA have recently submitted revised costings which will significantly increase costs in 1989-90 (for which a Supplementary Estimate may be necessary) and requiring new provision in 1990-91.

(iii) Support for the Whips Offices

The recent heavy legislative programme, and the high number of controversial or sensitive Bills, is imposing significantly higher costs for distribution of the Whip on all of the Whips Offices but particularly on the Government Chief Whip (Commons). These increases can no longer be met from elsewhere in OMCS and additional funding is necessary.

I am therefore seeking additional provision for 10 Downing Street and the Whips Offices as follows:

	£'000		
	1990-91	1991-92	1992-93
Special Communications	676(608)	903(573)	197(342)
Security Works	70(-)	-	-
Support for Whips	50(50)	51(51)	53(53)
	-----	-----	-----
Total	796(658)	954(624)	250(395)
	-----	-----	-----

2. Improving Management In Government: Next Steps

The 'Next Steps' initiative is now firmly established as part of the Government programme for the Civil Service and continues to gather momentum. The prospect of real benefits, both to the Government as employer and its staff and to the taxpayer and customer, is becoming reality as the first of the agencies are

set up. The need for support and guidance from the centre provided by the Project Manager and his team with support from the rest of the department is growing and will continue. The need for firm provision for this initiative is now vital.

(i) 'Next Steps' Team

My bid in last year's Survey included provision for the Project Manager and his Team. The Treasury were, in the event, able to provide only £100,000 of the full cost of £398,000 in 1989-90. We are currently finding the remaining provision from elsewhere in our budgets but only with considerable difficulty and at the cost of delay to other high profile high priority tasks. We can no longer continue in this way and need additional funding as follows:-

£'000		
1990-91	1991-92	1992-93
330(330)	353(353)	371(371)

(ii) General Support for Next Steps

Support for the Next Steps team in particular aspects of their work will be provided by relevant divisions within OMCS. Costs, as far as possible, will be met by reassessing priorities and objectives within existing provision. We cannot however meet the full requirement for consultancy and other capital costs and need additional funding of:-

£'000		
1990-91	1991-92	1992-93
173(133)	171(140)	178(146)

(iii) Challenge Funding: 'Next Steps' Training

You agreed last year to the provision of £1m for Challenge Funding to improve the level of management training undertaken by departments. The funding was limited to one year, further provision being dependent on take up on Year 1. We are confident that take up will justify continuation of the scheme and will, as agreed, provide supporting evidence by the late summer/early autumn in time for the final round of discussions on the Survey. Funding for years 2-4 is required as follows:-

£'000		
1990-91	1991-92	1992-93
1025(1025)	1051(1051)	1077(1077)

3. Transfer of the Information Officers Management Unit (IOMU)

It was agreed, following the Review of the Central Office of Information, that the IOMU should be transferred to the OMCS,

this will be effective from June 1989. Current provision for the Unit will be brought into the OMCS baseline by means of a PES transfer from COI. It was, however, also agreed that the Unit should be strengthened to take on additional work arising from the Review, an increase of 8 posts, taking the Unit size from 9 to 17. No additional funds have been made available but I understand that the need for additional provision has been acknowledged by your officials. Provision to cover staff and associated administrative costs is required as follows:-

£'000		
1990-91	1991-92	1992-93
111 (111)	119 (119)	125 (125)

4. Parliamentary Counsel's Office (PCO): Andrew Report

(i) The Prime Minister has accepted a recommendation by Sir Robert Andrew, in his Review of Government Legal Services, that the strength of the PCO be increased by one full drafting team (one Parliamentary Counsel and one Assistant Parliamentary Counsel). Additional provision is required for this team.

(ii) Phase 2 of the PCO's Office Automation System is now being developed. When implemented this will enable Counsel to access directly essential information on a legal database, giving considerable cost and efficiency benefits. We need total additional funding for the PCO of:

£'000			
	1990-91	1991-92	1992-93
Staffing	111 (103)	96 (96)	101 (101)
Computers	126 (20)	124 (60)	98 (56)
	-----	-----	-----
	237 (123)	220 (156)	199 (157)
	-----	-----	-----

The Lord President, who now has an interest in the resourcing of the Parliamentary Counsel Office, is aware of this bid and may wish to write separately with his views.

5. Security for Ex-Ministers and Others

The costs of providing physical security for ex-Ministers who are considered to be at risk, and other vulnerable individuals, falls to the OMCS. Demand in this area is increasing rapidly, firstly because protection of property is becoming more sophisticated and expensive, secondly the range of individuals covered by this expenditure is becoming wider. OMCS operates a monitoring role but we cannot directly influence the level of cost. It would, I am sure you agree, be indefensible to place vulnerable

individuals at risk because of lack of sufficient funding. We estimate that additional funding will be required of:-

£'000		
1990-91	1991-92	1992-93
123 (41)	128 (44)	134 (48)

6. Relocation of the Civil Service College

The Civil Service College is proposing to relocate the bulk of its London operations to Sunningdale Park. This move which will reduce substantially the problems currently encountered with two site operations will also minimise the effect on our expenditure requirements of a rent increase of over 140% at Belgrave Road. Additional office accommodation will be required at Sunningdale Park. The College propose to combine this requirement with their existing project to upgrade the residential accommodation, achieving economies of scale. The expenditure profile for the current project will change and additional funding will be required as follows:-

£'000		
1990-91	1991-92	1992-93
2,358 (-)	383 (-)	-93 (-)

7. The Civil Service Commission

The Commission are meeting from existing provision the costs of volume increases and the pressures on funding caused by price increases in advertising and fees in excess of the Treasury 2.5% uplift factors. I am, nevertheless, seeking substantial additional provision for the Commission for the following areas:-

(i) Additional Civil Service Recruitment Schemes

There are four recruitment schemes in prospect - Direct Entry Grade 7, HEO (London and South East), Information Technology and Lawyers - for which there is no provision and which cannot be absorbed in the present baseline. All are required to meet departmental demands and all have the support of officials in PMR division.

(ii) Schools Liaison

Over the past two years the Commission has invested heavily in setting up a new schools liaison system. Further capital resource is now needed to put the schools effort on to a more professional footing to secure wider publicity and to enable the Commission to compete effectively with private sector employers.

(iii) Update and Improvement of Computer Facilities

The recently announced plans for the future role and organisation of the Commission are underpinned by a move to repayment in April 1991 which, in turn, is dependent on improvements and updating of existing computer facilities at the Commission. Significant expenditure will be required in the first year of the Survey.

(iv) Planning and Implementation Unit

To coordinate and carry forward the proposed changes the Commission are preparing to set up a small Planning and Implementation unit for which additional funding is required in the first 2 years of the Survey.

The total additional provision required for the Civil Service Commission is:-

	£'000		
	1990-91	1991-92	1992-93
Recruitment Schemes	932(882)	939(939)	965(965)
Schools Liaison	80(-)	-(-)	-(-)
Computers	1,194(90)	-405(-405)	-498(-498)
Planning Unit	101(101)	54(54)	-(-)
Total	2,307(1,073)	588(588)	467(467)

8. Management Development and Training Development Initiatives

Management and development work carries forward the OMCS programme to encourage and support improvements in the management of government business. Increased delegation to departments is placing correspondingly increased pressure on the centre of advice, guidance and support. Revision of priorities and existing workloads has enabled us to fund most of the additional work from current provision with the exception of a number of consultancy studies which will be required over the next 3 years. The areas to be covered include work in support of Staff Appraisal, the Management Charter Initiative, the Young Peoples Programme and evaluation of the Senior Management Development Programme. We need additional funding of:-

£'000		
1990-91	1991-92	1992-93
87 (87)	63 (63)	54 (54)

9. Equal Opportunities Work

The promotion of effective equal opportunities policies throughout the Civil Service was identified as a high priority area in 1987 and, in the context of current demographic projections for the labour market, continues to be so. Increased demand from departments for advice and support cannot continue to

be met within existing provision. I am seeking additional provision to cover the employment in Race Relations Adviser and a Disability Consultant, increased expenditure on advertising by the Commission aimed at the ethnic minorities and the disabled to improve awareness of employment opportunities in the Civil Service, an improved access programme for AA and AO entrants, preparation of a training guide and training support and a other supporting consultancies and Survey. To cover the full programme of work in this area we need additional funding of:-

£'000			
	1990-91	1991-92	1992-93
	381(306)	208(208)	177(177)

10. Civil Service Occupational Health Services (CSOHS)

(i) Replacement of Computers

The current computer system for the CSOHS is due to be replaced in 1991-92 and capital provision is already available in that year. To ensure that the replacement is fully cost effective and to improve the efficiency of the existing systems the CSOHS propose to commission a consultancy study for analysis and design during 1990-91. The costs cannot be met from the existing baseline but will be offset by increased receipts under repayment.

(ii) Enhanced Screening Provision

The CSOHS are proposing to improve their services and extend their revenue earning capacity by the introduction of improved screening facilities aimed at target groups of civil servants. Equipment costs cannot be met from existing provision but can be covered by increased receipts within the first year.

These proposals for increased capital expenditure will enable the CSOHS to offer improved service, and to increase receipts over the period of the Survey and beyond. We will need additional funding of:-

£'000			
	1990-91	1991-92	1992-93
Capital Expenditure	+83(-)	-(-)	-(-)
Increased Receipts	-83(-)	-(-)	-(-)
	-----	-----	-----
	-	-	-
	-----	-----	-----