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31 January 1984
Policy Unit

Prime Minister

PRIME MINISTER

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31/1

VALUE FOR MONEY - THE IBBS INITIATIVE

The time for talking and general exhortation should be over. Everyone knows your commitment to greater value for money: your recent interview with Brian Walden reaffirmed this quite clearly. Talking to Permanent Secretaries in general terms will always produce the answer that there is a lack of Ministerial commitment; whilst talking to Ministers will always suggest that the Permanent Secretaries should be blamed.

You can, of course, reassure Robin Ibbs that at every conceivable opportunity you will remind your Ministers of the general need to seek value for money. Robert Armstrong should constantly remind his Permanent Secretaries of the importance of this task. What we now need is a detailed system of monitoring and reporting.

Robin Ibbs, with your backing, could set immediate standards for the collection of information about objectives, about the use of money and manpower and the way in which improvements are going to be monitored. A programme for fixing targets for cost reduction and/or service improvement could be established, and the Efficiency Unit's main task should be to monitor the work going on in all the departments. They do not have the resources or the knowledge to do the work themselves: they should be a stimulus and a prod, and a source of expertise in the techniques of management. This function could replace the scrutinies which are expensive to mount, operate on a narrow area of government, and may not carry the department with them. A series of scrutinies may save the odd £100 million or so: what we need is more like a 1-2% across-the-board improvement which would be £0.75-1.5 billion (excluding the main welfare benefits).

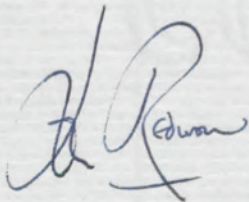
The summaries submitted with Robin Ibbs' letter illustrate just how much work remains to be done. The probation service has no information system. The civil defence and fire services have no targets for performance. The prison service cannot make cost comparisons between prisons, and has a rudimentary system of output and performance indicators. No department of state should be in the position in 6 months' time where it is running a major service

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without targets for improvement, and without basic management information concerning the effectiveness and efficiency of its activities. Face people with the right information, and you will find that many of them start making better decisions.

Once the information is in front of people, you also need to have a monitoring system to make sure that managers are facing up to the facts before them and are taking the necessary action. Government is notoriously bad at setting targets and then following up to ensure they are hit. The Efficiency Unit could become a review body constantly reviewing, department by department, the targets set, the work set out, and the progress being made. They should report to you the exceptions, the departments that are failing to measure up to the tight timetable set for improvement.

The next quarterly meeting should produce a list of the savings achieved and a schedule of those departments and services that are failing to live up to the task before them.



JOHN REDWOOD



10 DOWNING STREET

Prime Minister

MEETINGS ON EFFICIENCY

Hereinthe briefing for your
meeting with Sir Robin
Ibbs:

A. Policy Unit advice

B. Report from Sir Robin Ibbs

C. Record of your last
meeting on this subject.

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*Achievements in value for money
Actually implemented in previous*

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12 mth

PRIME MINISTER

We are to meet on 1st February to discuss progress with work on efficiency and effectiveness in the public sector.

Experience in recent months has convinced me that value for money is the most positive way of approaching this as it emphasises service to the customer and output from resources.

Since 11th November I have had meetings with sixteen Permanent Secretaries. I have also had replies from almost all Ministers in charge of Departments to whom I wrote seeking information about their targets for improvement for 1984/85.

As far as I am able to judge from this evidence, the backing for seeking greater value for money is quite strong, and in some Departments the plans for achieving it are encouraging. But overall I still feel there is insufficient sense of urgency. Intentions are too leisurely. Targets are rarely quantified or sufficiently precise to permit proper subsequent assessment of whether they have been adequately met.

The danger I see is that while everybody takes care to say the right things and even cautiously to do them, actual results are still likely to be too little and too late.

In my experience gradualism of the kind still prevalent in central government is not enough. The replies remind me very much of ICI about twelve years ago before the necessity for some radical changes had been appreciated. At that time we knew we had to improve and were already doing so but too slowly and complacently. Since then under the pressure of events our numbers in the UK have been halved and our competitiveness enormously improved. What made all the difference in ICI, and what is missing so far in the government response, is recognition that external pressures mean improve or go under. Yet surely there is a very similar political necessity to achieve major improvements? Permanent Secretaries are generally moving in the right direction; Ministers have the key role in determining rate of progress.



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I intend to submit to you later in February a summary of the plans for improvements under the FMI in 1984/85 that Ministers have sent me, together with my proposals about the areas in which you might ask me to take a special interest on your behalf in scrutinies. I attach two examples of summarised Departmental plans and targets.

However, on 1st February I should like primarily to discuss with you how to bring about fuller recognition by Ministers and their Permanent Secretaries of the urgency of the need to improve value for money in public services. There are substantial improvements that, given the will, must be within their grasp over the next four years. This would be so much better than having to rely on further major cuts in sensitive areas.

I am sending a copy of this to Sir Robert Armstrong.

ROBIN IBBS
30th January 1984

HOME OFFICE - SUMMARY BY BUSINESS

Business	Main Targets	Programme of Work	Comment	Action
Prisons	Increase efficiency to be able to (a) make do with 1650 less staff than expected (b) reduce use of overtime	(a) extend performance indicators and output measures (b) introduce local budgets (c) develop cost comparisons (d) define local objectives	Mainly system work to relate resources to outputs and force governors (ie local managers) to make choices No direct scrutiny of activities, but implementation work on resource control review will consume other available resources	Maintain association with Prison Department by taking an particular interest in (a) - "Stage 4 of the Resource Control Review" (d) - follow-up to RCR stage 3
Immigration and Nationality	Introduce delegated budgets for administrative expenditure	Due to go live on 1 April 1984; work will continue through year	Important element of Home Office FMI; no direct role for us and effectively bars other work	Support and monitor through FMI follow-up
Police Technical Services	(a) Improve accountability of D/Telecommunication (b) Improve management of research (c) Decide future of Police National Computer Unit before hardware needs replacing	Study involving consultants Review Review, request for Efficiency Unit participation	New Under Secretary known to consider major overhaul of management and accountability is needed. PNCU scrutiny a good opportunity - better than research again	Accept involvement in PNCU scrutiny; offer informal support to senior management on wider issues as necessary.
Police	Start improving police efficiency following recent circular Improve financial control of Met and introduce cash limit	(a) Equip Inspectorate with monitoring tools (b) Start investigation	These first steps on police efficiency are welcome and very important Continuation of HD "get tough" policy on Met - long overdue	Establish our interest to allow us to assess this work - offer presentation to Inspectorate?
Probation	Develop an information system		Some implementation work from Goldman study; not a high priority for us	Monitor implementation of Goldman
Fire	No main targets	Review of Standards in progress	Cost £500m a year, mainly by local authorities. HMT reckon this is a sleepy area overdue for a hard look. But more important target for us this year	None
Civil Defence	No main targets	Review in progress, HMT participating	No obvious opening for us.	None
Magistrates Courts	No main targets	Some implementation work from Goldman due	Recently sampled, implementation of existing findings the top priority	Monitor implementation of Goldman report

MINISTRY OF DEFENCE

Target Area	Business	Programme of Work	Comment	Action
<p>The Management Information and Budgetary Framework for Accountable Management</p>		<p>(1) Hold second round of MINIS starting in Feb 84.</p> <p>(2) Introduce Staff Responsibility Budgets for 90% of civilians by 1/4/84 and examine arrangements to apply SRBs to military staff</p> <p>(3) 'Crewe' study of manpower control and scrutiny</p> <p>(4) Improvements in Long Term Costing system</p> <p>(5) Work on budgetary framework of Dockyards</p>	<p>Moving ahead quickly with MINIS 2 is a good sign.</p> <p>The introduction of SRBs is happening in quick time but it is not yet clear when practical changes will result.</p> <p>The Crewe study is important: we have been offered involvement in it.</p>	<p>(2) Maintain contact through MOD/HMT/FMU/EU financial management improvement meetings.</p> <p>(3) Accept involvement in Crewe.</p>
<p>The Cost Effective Use of Resources</p>		<p>(1) Further examination of procurement work</p> <p>(2) Tri-service studies of engineer, music, language, ADP and PT training; of animals; of physiotherapy; and of feeding</p> <p>(3) Implementation of existing recommendations on Navy shore training</p> <p>(4) Productivity scheme at Clyde submarine base</p> <p>(5) Management Audit of Marine Services.</p> <p>(6) Implement Groom review of Army training</p> <p>(7) Review functions of Army education</p> <p>(8) "LEAN LOOK" exercise on Army support</p> <p>(9) Improve utilisation of Defence Estate by a Maintenance Economy Review in each district.</p> <p>(10) Follow-up action to SAERT.</p> <p>(11) Information Technology Strategy Study</p>	<p>(2) These arise from MINIS: each service maintains separate facilities at present. Lord Trefgarne chairs the steering committee, little extra pressure we can bring to bear.</p> <p>Feeding is particularly important, but probably too sensitive with the Services for our involvement to be productive.</p> <p>(3) 5 establishments will close, much of the work will be taken on by other establishments.</p> <p>(4) Good: target of 400 staff savings</p> <p>(5) About 3500 staff and £100m involved. The predisposition to savings is not clear since changes in RN practice may be required.</p> <p>We have been offered this as a scrutiny, and we do not have strong enough evidence to reject it.</p> <p>(6) Mainly organisational.</p> <p>(7) [details not yet known]</p> <p>(8) MH/CGS have compromised: if Army can save 4000 support posts, the numbers can be transferred to the front line. Some radical questions being examined, sensitive with Army.</p>	<p>(5) Accept Marine Services as a scrutiny.</p> <p>(8) Ask for a presentation when the work is further advanced.</p> <p>(11) Establish contact with team working to Chief Scientist.</p>

Target Area	Business	Programme of Work	Comment	Action
Further delegation of authority and responsibility to individual managers	MOD HQ	Civilian Personnel Management Study	Arising from MINIS. Targeted on greater delegation to the line. Considering cuts of 25%, 50% and 75% in central PM.	
	Navy	Work on delegation of responsibility to dockyard managers. Refinement of management of Portsmouth and Gibraltar bases.	Not much known.	
	Army	Establish a Commander of Training Establishments in UKLF with a budget (Groom recommendation).	Possibly a vehicle for carrying through streamlining of training identified elsewhere.	
	RAF	Examine possible creation of a maintenance executive.	[Not much known]	
Scrutinising the nature of work done in MOD and introducing new elements of competition. (1) Privatisation (2) Contracting Out (3) Introduce greater competition		Royal Ordnance Factories by 1.4.85 Examine scope for various schools		
		Examine prospects in Grounds maintenance (300 posts in Navy alone); catering (700-800); hostels and barracks; marine services; less sensitive security; movements.	Much of this ground has been examined before and rejected for "operational" reasons. It is not yet clear who, besides MH, is the driving force for positive action this time.	
	Navy/RAF	Contract out basic driver training early 1984	Most Army basic driver training is already contracted out.	
	Navy	Establish comparisons between dockyards and industry; consider some private sector refits	Programme of work is vague but potentially very important. Oddly MOD are resisting strongly HMT proposals to make dockyards a trading fund, which would ease comparisons.	
	Army	Commercialise certain medical stores by mid-1984	Not large.	
	RAF	Contract out servicing at certain flying/training schools	A SAERT recommendation.	
Clarifying and simplifying the roles of senior officers within Headquarters		(1) Introduce charters for officers with formal financial responsibilities (2) Review the top structure of CERN (3) "Operational Concepts work"	Not much known yet; some hints that a major reorganisation may be in the wind to meet the overall objectives.	