



CC N.O.
SJR. 1665

DEPARTMENT OF HEALTH & SOCIAL SECURITY
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From the Secretary of State for Social Services

David Barclay Esq
Private Secretary
10 Downing Street

30 March 1984

Dear David

nbpm
DMS
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SCRUTINIES AND VALUE FOR MONEY

Thank you for your letters of 8 and 14 March about improving value for money in Government through the programme of scrutinies.

As you say, this Department has a good record in this field both within our own programmes and in the NHS. We regard the scrutinies as part of a comprehensive strategy for improving management and efficiency which we will continue to pursue vigorously. Scrutinies do, of course, present their own problems. Further analysis can show difficulties not apparent to scrutineers, circumstances change and so it cannot be expected that every scrutiny should be completed within a specific period. Yet, that said, we have found that sufficient drive and enthusiasm ensure that the momentum is sustained.

On the specific scrutinies covered in your letters, you mentioned the gradual build-up of savings indentified by the scrutiny of Benefit Payments. The savings arise in two main ways:-

- a. payment of child benefit four-weekly rather than weekly. Ministers took an explicit policy decision that existing beneficiaries should be able to continue to receive payment weekly if they wished: the slow build-up merely reflects the slow turnover of recipients;
- b. payment of benefit by credit transfer rather than order book. Here again there was an explicit policy decision not to make credit transfer obligatory, even for new claimants.

In both cases we could try to bring the savings forward by greater publicity for the new methods. Any significant changes here would have immediate implications for the viability of the Post Office network, particularly in rural areas, and the Prime Minister will be aware of the political difficulties in this field.

The changes in working practices, which it was envisaged in the scrutiny on the Validation of National Insurance Contributions Records could save £25 million are to be introduced from April 1984. It is not possible at this stage to say how far the estimated saving, resulting from reductions in staffing, can be achieved. Until the new work processes have in operation on a national basis for some time, their

effectiveness as compared to previous methods cannot be measured. But we should point out that over the last two years, because of a substantial reduction in contributions and compliance work due largely to implementation of other recommendations in the scrutiny, the number of staff has already reduced by 40 per cent. This reduction will have subsumed some of the estimated £25 million saving.

The report of the scrutiny on Benefits For Those in Hospital and Residential Care was presented in January 1983. It was a formidable and highly technical document. It affected a large number of interests, including several policy branches responsible for national insurance benefits, supplementary benefits and war pensions; the policy branches concerned with the health authorities on the administration of patients' monies, and the central offices responsible for the making of significant numbers of benefit payments (where computer programming considerations were involved). Ministers met the Rayner team in February 1983 and an initial Department response was submitted to Ministers in April 1983. This recommended acceptance of many of the team's proposals, but foreshadowed some exploration of an alternative plan for the timing of benefit adjustments. Ministers are now considering this further advice which could promise more ready acceptance.

Meanwhile, in answer to a PQ from Alf Morris MP, the publication of the Rayner Report was refused but a commitment was made to have prior consultation with all concerned before any major changes in policy or procedure were made. We have prepared a draft consultation document but several inter-related initiatives have been coming to a head at the same time. The Oglesby Report (attendance allowance and mobility allowances procedures and medical adjudication) contains references to the patient's monies aspects of the report and revised guidance for health authorities regarding the effective use of patient's balances is also nearing completion. The content and timing of the issue of these documents is crucial.

The report of the Joint DE/DHSS scrutiny on payment of benefit to unemployed people made a total of 81 recommendations of which 33 have been implemented, 14 have been subsumed by other changes, 16 have been rejected and 18 are still under consideration.

By the end of this year in DHSS savings of £15.5 million including 2,032 posts will have been made directly or indirectly as a result of the report. The recommendations which are still under consideration fall into two categories: those which could possibly be implemented in the short-term and those which can only be considered in the long-term context of the DHSS Operational Strategy.

The most significant of the former category fall to DE. Within DHSS the recommendation relating to fraud staff is being considered as part of the Traffic Study proposals. The other significant recommendation relates to milk tokens and for that we are giving active consideration to an alternative scheme with similar potential net savings.

Of the recommendations being kept under review in the long-term context of the Operational Strategy by far the most significant, although formally rejected for the purpose of the scrutiny, is that which proposed that work on supplementary allowance for the unemployed should be transferred to unemployment benefit offices, that DHSS staff should be moved to those offices and that each clerk in the re-modelled benefit office would deal with both unemployment benefit and supplementary allowance work. This was estimated in the report to involve one-off costs of £45 million to £90 million, giving a recurrent saving of £7 million to £11 million (including 2,580 staff). These potential savings have, however, been eroded to some extent by the introduction of the postal claim form of supplementary benefit.

E. R.

The only other significant recommendation being considered in this context is that the Department should make definite arrangements for uprating supplementary allowance for the unemployed automatically (at a capital cost of £2 million giving savings of £0.7 million per annum including 220 staff). It is possible that earlier implementation of this recommendation might be achieved by enhancing the Local Office Micro-Computer System but the main priority is to get that programme itself implemented.

I could perhaps also refer to one recommendation in that scrutiny which has recently been rejected by Ministers, that is the alignment of pay periods for unemployment benefit and supplementary allowance which the report expected to yield £16 million in benefit savings and 155 staff savings. It may prove possible to achieve some of those savings other than by alignment to the pay periods and work on this is in hand.

You will see from our previous achievements and from the above that we have placed considerable emphasis on the drive for administrative efficiency. We will, of course, continue to do so both within the Department itself and in the NHS, making full use of computers and information technology. However it is the programmes themselves that account for the vast majority of our expenditure. That is why we are now devoting greater attention to a series of programme reviews with an eye to ensuring that there also we achieve full value for money.

I should add that we conduct regular reviews of the progress on implementing scrutiny recommendations through the Management Team here which is chaired by the PEO

Yours
Steve

STEVE GODBER



10 DOWNING STREET

From the Private Secretary

14 March 1984

Scrutinies and Value for Money:
Payment of Unemployment Benefit

I wrote to you on 8 March, in common with other Departments, about progress with implementing efficiency scrutinies.

I did not refer specifically in my letter to the scrutiny of the payment of unemployment benefits. This was mentioned in my letter to the Department of Employment, and - since I understand that some of the recommendations fall to DHSS to consider - you may like the enclosed copy of my letter to David Normington.

I am sending a copy of this letter also to David Normington.

(David Barclay)

S.A. Godber, Esq.,
Department of Health and Social Security.

AS



Mr Barclay

I wd be inclined to send them a copy of the letter to DE.

TJB 14/iii

10 DOWNING STREET

From the Private Secretary

13 March 1984

Dear Ian,

Scrutinies and value for money:
Payment of unemployment benefit

I had a slightly anguished telephone conversation with David Normington at the Department of Employment about the letter which I sent him on your advice on 8 March about scrutinies and value for money. The Department of Employment feel that a major part of the responsibility for delay in implementing the recommendations of the scrutiny of the payment of unemployment benefit lies with DHSS. He therefore asked whether we had referred to this scrutiny in the letter to DHSS, and I was bound to admit that we had not.

Do you think there is a case for a further letter to DHSS to remind them of their part in the unemployment benefit scrutiny?

Yours ever,

David

David Barclay

Ian Beesley Esq
Cabinet Office



10 DOWNING STREET

From the Private Secretary

8 March 1984

SCRUTINIES AND VALUE FOR MONEY

The Prime Minister has recently been looking at the state of play on improving value for money in Government through scrutinies and closely related work. She continues to be impressed by what can be achieved in this way and hopes that Ministers will continue to target scrutinies on good areas and that Permanent Secretaries will use their best people as examining officers.

The Prime Minister feels, in addition, that we need to maintain a strong presumption that scrutinies lead to prompt decisions and action. She is concerned that, unless momentum is maintained, the system will clog up and prevent the right sense of urgency being achieved.

On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that your Department has one of the best records in commissioning work to improve value for money. She hopes that this record can be maintained and that, wherever possible, the record on implementation can be improved even further.

Your Secretary of State's recent action to publish and push forward action on the NHS scrutinies is an important step. The Prime Minister is wholly behind him in this. The savings possible here are large and Mrs. Thatcher is very keen both to release the money concerned for better purposes in the Health Service and to encourage those in the service who want to do better for the taxpayer's pound. She would be grateful to be kept informed of progress through the Efficiency Unit.

Mrs. Thatcher also hopes that firm decisions and early dates for securing outstanding benefits can be agreed for the residual points in earlier departmental scrutinies:

- She noted that from the 1979 scrutiny of the Methods of Benefit Payments £10 million a year of savings are not currently expected until 1985/86 and £5 million a year not expected until even later; the Prime Minister wonders if anything could be done to speed this up.

- Savings of a further £25 million a year are believed likely to be achieved from the scrutiny of the Validation of National Insurance Contribution Records but there is, as yet, no firm commitment to secure them.
- Response to the 1982 scrutiny of the payment of benefits to people in hospital is still outstanding.

I am copying this letter to Sir Robin Ibbs and Sir Robert Armstrong.

David Barclay

Steve Godber, Esq.,
Department of Health and Social Security.



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On the basis of the data you supply to the Efficiency Unit, Mrs. Thatcher noted that although many of the recommendations from the 1980 scrutiny of Payments of Benefits to the Unemployed have been implemented, significant savings are still associated with other recommendations for which decisions have not yet been taken. The Prime Minister hopes that it might be possible to seek early decisions and firm dates on these matters too.

I am copying this to Sir Robin Ibbs and Sir Robert Armstrong.

(David Barclay)

David Normington, Esq.,
Department of Employment