

PRIME MINISTER

VALUE FOR MONEY SEMINARS: TUESDAY 10 JULY

The meeting is an opportunity to impress on the heads of departments the importance of maintaining continual pressure to obtain better value for money in both administrative and programme expenditure. The most effective way of doing this is for the senior managers in departments to take a direct and regular interest in greater efficiency. They will take a lead from your direct interest in their effectiveness in obtaining better value for money within their departments and across the whole of government.

2. Both the Home Office and DTI are at much the same stage. The Secretaries of State are committed to obtaining better value for money, but there is a very long way to go. The departments are an interesting contrast: the Home Office is a big management organisation; DTI a big spending and sponsorship organisation. Both Ministers should be left in no doubt at all that they are only at the beginning of a long process and that they need to make the search for better value for money an integral part of their activities and not something which is done either in fits and starts or as a one-off activity.

3. I am attaching short briefing notes on the two departments attending the seminar, which contain some specific questions on each which you may wish to pursue. For both departments the following basic questions are appropriate:

- What are the Secretary of State's specific value for money targets - not just generalised objectives?
- What timetable has he set himself for each?
- How can motivation and a sense of urgency within his department be increased?
- Where can the scrutiny approach most effectively make a contribution?
- What help does he need from outside his department?
- Are there any major political obstacles to progress? Is there any role in this for colleagues collectively?

Handling

4. You will want to introduce the session with a reminder that the aim is to increase the rate of progress on improving value for money by learning from the experience of different departments. The



need to contain public expenditure, make savings and obtain greater output from available resources is of course the driving force from all this work.

5. I suggest you invite each Minister in turn to outline the recent achievements of his department in delivering better value for money and his plans for further progress. You should ask him to state clearly the targets against which he will be measuring progress.

6. At the end of each Minister's presentation you will probably wish to put some of the basic questions and specific departmental questions listed in this brief. This is the point at which the Permanent Secretaries should be encouraged to join in.

7. When both Ministers have spoken and answered questions you will want to encourage more general discussion on such themes as:

- The broader lessons that emerge from the individual presentations;
- The points on which central departments can help;
- Any difficult political points inhibiting progress;
- How to increase motivation and a sense of urgency in all this work.

8. In summing up you will want to ensure:

- 1) That strong messages of encouragement are relayed back to departments on points of positive achievement;
- (2) That Ministers and Permanent Secretaries feel committed to delivering further improvements in value for money against specific targets with a sense of urgency;
- (3) That any general lessons are clearly identified. The Efficiency Unit should be made responsible for pursuing these with relevant departments.

9. I am sending a copy of this minute to Sir Robert Armstrong and Sir Peter Middleton.

Kate Rankine

Robin Ibbs
6 July 1984

Clear targets

Police out of 2.8 bn.
24.5 bn.
Resources
Cash = units
Redeployed to operations

Objective
- cash limit
- time limit
"Performance review"



DEPARTMENT OF TRADE AND INDUSTRY

1. The DTI are making efforts to systematise their activities, but they are still short on specific objectives, targets and a clear view of the results they are aiming for. There are two areas it would be worth exploring: the management structure of the department and the departments' strategic approach to its sponsorship role.

Management

2. The department is working hard on management. They should by now be producing some results from the merger:

- What efficiencies has re-organisation produced in money, staff or rationalisation of policy?
- Will the information system produce the kind of information on which they can find better value for money by looking across the whole range of DTI activities?

Sponsorship

→ 3. The department spends a great deal of money on sponsorship (£700 million). They need a strategy to ensure that the money is being spent in total in the most effective way. They have set up an evaluation working group which the Secretary of State will no doubt describe.

- What is the departments overall strategy on sponsorship: do they give a lead or react to demands?
- Is the evaluation working group the right forum in which to move forward work on evaluation? Can it work with sufficient urgency to ensure the effective use of DTI resources in the near future?

12,400 →
- Transferred -
9. →

Ami. - Energy savings
Over-employment suppliers

29% in need - £150. £200.

2 1/2 £20m
= -
502 - 407
= -

DEPARTMENT OF TRADE AND INDUSTRYStaff Numbers

| | |
|---------------|--------------|
| 1979 | 15818 |
| 1984 (actual) | 12582 (-20%) |
| 1988 (target) | 12700 |

Expenditure Programme

| | 1984-85 £m cash | change since 1979-80 |
|---|--------------------|-------------------------|
| Regional and general industrial support | 640 | + 20% |
| Scientific and technological assistance | 369 | +160% |
| Support for aerospace, shipbuilding, steel and vehicle manufacture | 90 | - 73% |
| Export promotion and trade co-operation | 29 | + 32% |
| Regulation of domestic trade and industry and consumer protection | 92 | + 96% |
| Other central and miscellaneous services | 141 | +107% |
| Nationalised industries external financing | 142 | - 87% |
| Total | 1502 | - 33% |

Running Costs

The 1984-85 Estimate is £273 million (gross).

Potential from 1% improvement

| | |
|-----------------------|------------------------------|
| Running costs | 1% is £2.7 million per annum |
| Programme expenditure | 1% is £15 million per annum |

Top Management Systems

The department's work is reviewed annually through the Activities and Resource Management (ARM) system.

Budgeting Plans

"Responsibility Cost Centres" cover over half of the Department's staff. All discrete units are now covered and the concept will now be extended "as far as practicable" into Headquarters.

Scrutinies and Reviews

The Department has completed 10 scrutinies and 4 multi-department reviews.



THE HOME OFFICE

1. The Home Office is a federation of distinct businesses. The management task in the directly managed organisations - the prison service, the immigration service, and the technical services for the police is relatively clearly defined. The Metropolitan Police is managed through the Commissioner. The other activities of the Home Office - the fire service, the probation service, and the police outside London, are indirectly managed through inspectorates. It would be best to concentrate on two major areas.

The Prisons

2. The prisons cost £793 million. The Home Secretary's target is to achieve his objectives with fewer staff and reduce reliance on overtime. There is a management strategy for achieving this, but the industrial relations problems are formidable. The Home Secretary must be encouraged to face up to the need to manage the prison service positively. He must also be certain that he has the right management team:

- Is there a timetable for implementing the management strategy?
- Is the management team the right one to get to grips with the unions?

The Inspectorates

3. The Home Secretary has directly managed inspectorates responsible for the operation of the police, the fire service and the probation service. Traditionally they have been concerned with the quality of the service rather than its efficiency.

- How is he going to focus these inspectorates and the responsible policy divisions on delivering greater efficiency?
- Has he set them efficiency targets as distinct from operational targets?



HOME OFFICE

ANNEX

Staff Numbers

| | | |
|-----------------------|--------|------|
| 1 April 1979 | 33,490 | |
| 1 April 1984 | 36,446 | +9% |
| 1 April 1988 (target) | 41,138 | +23% |

The increase in staff has been in the Prison Service. Non-prison manpower has fallen from 9,700 in 1979 to 8,800 now, but it is not planned to fall significantly in the next 3 years.

Expenditure Programmes

| | 1984-85 £m cash | change since 1979-80 |
|---------------------------|--------------------|-------------------------|
| Administration of Justice | 230 (gross) | +123% |
| Penal System | 793 | +106% |
| Police | 2,667 | + 82% |
| Fire | 595 | + 61% |
| Community Service | 22 | + 22% |
| Central and Miscellaneous | 151 | +140% |

Running Costs

The 1983-84 Estimate was £652.7 million.

Potential from 1% improvement

| | | |
|-----------------------|-------|---------------|
| Running costs | 1% is | £38.1 million |
| Programme expenditure | 1% is | £ 6.5 million |

Top Management Systems

A two tier system: a six monthly strategy review of each business by the Home Secretary, supported by a detailed Annual Performance Review of each division by the Permanent Secretary.

Scrutinies and Reviews

5 scrutinies and 5 contributions to multi-department reviews.

1) Mr Butler
PRIME MINISTER

Seminar on Efficiency

Next Tuesday, you are due to hold your first Seminar on Efficiency. The Home Secretary and the Secretary of State for Trade and Industry will give presentations.

Sir Robin Ibbs is preparing a full brief for you. Meanwhile, he has suggested that the Seminar might work better if it were held in a less formal atmosphere than the Cabinet Room. Nine people are involved.

Agree to hold the Seminar in the White Drawing Room?

DMS

Yes no

DAVID BARCLAY
6 July, 1984

Mr Taylor

Could you please make the arrangements as above?

Mr. Barclay -
Certainly

Taylor 9/7

DMS
9/7