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10 DOWNING STREET

*From the Principal Private Secretary*

SIR ROBERT ARMSTRONG

Efficiency Seminars: Home Office

The Prime Minister held a meeting with the Home Secretary and Sir Brian Cubbon this morning about value for money in the Home Office. The Secretary of State for Trade and Industry (whose discussions with the Prime Minister about value for money in his Department were unfinished and which I shall be recording after a further meeting has been arranged) was present, accompanied by Sir Brian Hayes and Sir Anthony Rawlinson. Sir Robin Ibbs, you and I were also present.

The Prime Minister said that she was interested in what was actually happening and not in management jargon, and in quantified objectives rather than general aims.

The Home Secretary said that his approach in the Home Office was to pursue efficiency and value for money across the board and to judge the results by actual achievements. Central to his approach was a six monthly strategy exercise which established broad policy aims, specific objectives assigned to named individuals with target dates for their achievement, and outstanding issues to be pursued again by named individuals. The strategy exercise was supported by an annual performance review on Minis lines, in which performance of the whole Department, division by division, was measured against expenditure.

On the police, costing £2.8 billion out of total Home

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Office expenditure of £4.5 billion, the message had been conveyed to chief constables that their target was to secure improved effectiveness from their increased resources and that they were expected to establish clear objectives which would be monitored by inspectors. A cash limit was being applied to the Metropolitan Police and 1,000 Metropolitan Police, and over 500 in West Yorkshire, Greater Manchester and Lancashire had been redeployed to operational jobs. (In reply to a question from the Prime Minister, Sir Brian Cubbon said that only about one fifth of this transfer was attributable to replacement by civilians.) There had been a 20 per cent reduction in manpower used for policing demonstrations and the Home Office was refusing to approve increases in police establishments if the work could be done more cheaply by civilians. Sir Robin Ibbes asked whether specific targets had been given to the police authorities.

The Home Secretary said that the constitutional independence of police authorities had to be taken into account, but it should be possible to make progress towards quantified objectives when inspectors had established what had been achieved in the best authorities. In reply to a question from the Prime Minister, the Home Secretary said that it should be possible to report further progress on this matter in six months or so.

On the prison service, the Home Secretary said that the aim was to achieve a better return on the investment programme. Savings of 7 per cent in energy had also been achieved and over-consumption of supplies was expected to be reduced by 10 per cent in the long term.

A publicly announced target of ending reliance on police cells to cope with prison overcrowding had been achieved last year and no new tasks were being created in prison establishments unless unavoidable or offset by savings: there was a target of reducing overtime in the

current financial year from 16½ average weekly hours to 15.

On the fire service, the Home Secretary said that the expenditure and manpower control over the joint boards, which was being introduced by current legislation, would provide a direct lever for enforcing greater efficiency over half the country and an indirect lever as regards the rest. The Fire Inspectorate was being directed towards improvements in efficiency and the Audit Commission was also being brought in. As a result, saving targets over the next five years would be set.

On the probation service, the Home Secretary said that all area services have been asked to review their objectives and priorities on the basis of a national statement issued in May: the Probation Inspectorate would assess the results. Guidance on action to secure more efficient enforcement of fines have been issued to the Magistrates Courts, and guidance on action to reduce waiting times would be issued during the summer. In the Immigration and Nationality Department improvements in management and control promised a 22 per cent improvement in productivity this year: fees have been cut without cost to the taxpayer. Despite a saving in posts, delays in writing statements on immigration appeals have been reduced from 11 to 3 months, and the aim was to reduce this further to 3 weeks.

On central administrative costs, the Home Secretary said that there was an agreed plan to rationalise accommodation in Central London, offering savings of about £400,000 and the possibility of a further £200,000; some 230 posts have been saved or were in prospect as a result of staffing reviews last year; and £1.6 million a year had been saved by contracting out domestic work at training establishments; other reviews had produced prospective improvements worth about £1 million; and he was looking for a 1 per cent reduction this year in non-accommodation

running costs and 5 per cent next year. The Prime Minister asked about the size of the central administration in the Home Office dealing with the prison service and expressed the hope that further savings could be made in this, for example by contracting out architectural and design work.

Summing up the discussion, the Prime Minister said that she was grateful to the Home Secretary for the account he had given of work being done in the Home Office to achieve greater value for money. She invited Sir Robin Ibbs to be in touch with Sir Brian Cubbon about giving further quantification to specific aims for improvements in efficiency in those areas where quantified targets had not yet been adopted.

I am copying this minute to Hugh Taylor (Home Office), Sir Brian Cubbon, Sir Robin Ibbs, John Gieve (Chief Secretary's Office) and Mary Brown (Lord Gowrie's Office).

F.R.B.

10 July 1984

HOME SECRETARY'S REMARKS ON "VALUE FOR MONEY IN GOVERNMENT" FOR  
PRESENTATION AT PRIME MINISTER'S SEMINAR ON 10.7.1984

I am glad of this opportunity to say what we are doing in the Home Office about value for money.

Two principles have governed our present approach. First, the need for value for money, and increased efficiency, should extend right across the board of our activities. It includes policy formulation, crisis management, central running costs, and our local authority services. No-one is exempt from the changes of attitude that are required.

The second governing principle is that what matters is results and actual achievements. The framework of cash limits, and improved accounting systems, provide valuable "top-down" pressure which squeezes out inefficiency. This is an essential ingredient, and we are continuing to develop better FMI systems and information systems for this purpose. But they must be given a cutting edge by the use of observable targets, clear and short timescales, and the assignment of personal responsibility.

Central to my control of the Home Office, and to the implementation of these themes, is the strategy exercise which I conduct with Ministers and senior officials every six months. This establishes broad policy aims; specific objectives for named individuals, with target dates for their achievement; and outstanding issues to be followed up, again by named officials. In the last such exercise over 150 specific objectives were set.

/The strategy ....

The strategy exercise is supported by our Annual Performance Review - or APR. This is the "MINIS-type exercise" by which the Department reviews, Division by Division, the whole range of its activities against the expenditure incurred; ensures that the objectives and timetables being set are in line with the strategy; and monitors performance.

I turn now to examples of our achievements, past and planned, with particular reference to the targets laid down.

The police service will account, next year, for £2.8 billion out of total expenditure on Home Office services of £4.5 billion. Getting a more effective police service is value for money par excellence; the public are passionately interested in it; and the sums of money involved are very large.

- (1) We have got the message home to Chief Constables that their target is to secure improved effectiveness from the considerably increased resources now at their disposal - we have seen, in recent weeks, that they are far better able to deal with public disorder as a result of the extra training and equipment that has been provided;
- (11) we have told Chief Constables - and this has been quite a shock to the system - that we expect them to establish clear objectives for their forces' activities, which will be monitored by HM Inspectors;

- (111) Sir Kenneth Newman has taken a lead in this, and I review his objectives with him;
- (iv) I have decided to extend the discipline of a cash limit to Metropolitan Police expenditure to reinforce the improved controls which have been introduced;
- (v) our monitoring shows that many more police officers are now redeployed to operational duties, for example nearly 1,000 in the Metropolitan Police last year, and over 500 in West Yorkshire, Greater Manchester and Lancashire;
- (vi) last year Sir Kenneth Newman achieved - in effect - a 20 per cent reduction in manpower for the policing of demonstrations;
- (vii) we have told police authorities and Chief Constables that we will not approve increases in police establishments if any police officers are doing work which could be done - more cheaply - by civilians;
- (viii) in the Metropolitan Police we agreed last year to an increase in civilians, only on the understanding that they were used to release 150 police officers for operational duties; and
- (ix) I am expecting police authorities to pay for additional civilians next year by holding some police vacancies if necessary.

Our prisons programme will cost £640 million next year.

- (1) A major target is the delivery, in a highly complex setting, of a substantially increased prison building programme. Here we are aiming to secure a better return on our investment through adopting a method of contracting which brings new buildings on stream more quickly;
- (11) we have also achieved significant energy savings, equivalent to a 7 per cent reduction overall - worth £1.8 million this year;
- (111) we are aiming to reduce over-consumption of supplies at prisons by an estimated £1 million or ten per cent in the long term, and by £120,000 this year. By rationalising stores, we hope to achieve savings of about £3/4 million a year, which is five per cent;
- (iv) following a publicly announced and painful target, we ended last year the routine and wasteful reliance on police cells to cope with prison overcrowding;
- (v) a key objective is to make more efficient use of manpower: we have told establishments that no new tasks should be created, unless they are wholly unavoidable or (in other cases) offset by savings; and



- (vi) we have set a target for reducing overtime in 1984-85 from the present 16½ average weekly hours to 15.

These manpower targets could have severe industrial relations implications. The stakes are high on both sides, and I shall have to proceed cautiously.

The fire service, over which at present we have no direct control, will cost nearly £600 million next year.

- (i) We shall use the expenditure and manpower controls over the fire joint boards (which will be responsible for nearly half fire service expenditure) to enforce greater efficiency, particularly by changes in manning arrangements. We shall then seek to extrapolate the changes in the rest of the country;
- (ii) the Fire Service Inspectorate is being reorientated to be concerned with efficiency. The Audit Commission is being brought in, too; and
- (iii) we shall shortly set a private target of achieving savings over the next five years: I expect it will not be inconsiderable.

For the Probation Service (£170 million next year), we have asked all area services to review their objectives and priorities in order to secure the deployment of resources to the best effect. They are doing this on the basis of a national statement of objectives and

priorities which we issued in May. We shall assess the results through the Probation Inspectorate.

For the magistrates' courts (£190 million next year), we issued, in March this year, guidance on specific action to secure more efficient enforcement of fines. Guidance on action to reduce waiting times will be issued this summer.

In our Immigration and Nationality Department we have made improvements in management information and control and in our handling of nationality cases which, taken together, permit a forecast of 22 per cent productivity improvement for 1984/85. For the first time since before the First World War almost all fees have been cut, giving applicants better value for money without cost to the taxpayer.

On the immigration side, the Department has been reorganised, saving fifteen posts. Also, we have reduced delays in appeal statement writing from eleven to three months, and have a current target of three weeks.

On central Home Office costs:

- (1) we have an agreed plan to rationalise our accommodation in central London, which will produce efficiency savings annually of about £400,000, with the possibility of a further £200,000;

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/as a result .....

- (ii) as a result of staffing reviews last year, reductions of some 230 posts have been achieved, or are in prospect (about 12 per cent of the number reviewed);
- (iii) we have saved £1.6 million a year by contracting-out domestic work at training establishments;
- (iv) a number of miscellaneous reviews have produced prospective improvements worth about £1 million, for example through civilianisation of coroners' courts and increased income from licences; and
- (v) we are looking for a one per cent reduction this year in central, non-accommodation running costs (stationery and printing, cleaning, vehicles, postal services, etc - amounting to nearly £10 million annually) as a preliminary to what I hope will be a five per cent reduction next year).

I have not covered the whole picture. It is important anyway to be selective about target setting. I have concentrated on specifics, and not on the many quite fundamental changes in methods and approach that are taking place. For example:

- (1) we have developed better information systems for managing the prison system, the after-entry immigration control, and for the Police and Probation Inspectorates;

- (11) we shall be scrutinising major areas of Metropolitan Police expenditure, as well as the Police National Computer;
  
- (111) we shall be using consultants to advise on improved systems for the Directorate which provides communications for the police and fire services; and
  
- (1v) we shall be seeking the more effective use of Immigration Service manpower.

The test of these systems and scrutinies will be whether they produce observable results. By this time next year, I hope we shall have many more specific targets for such observable results. I am also determined that through "top-down" expenditure control, we should continue to seek and expect improved performance.



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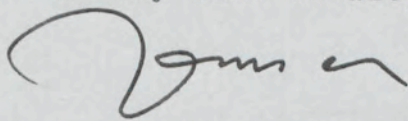
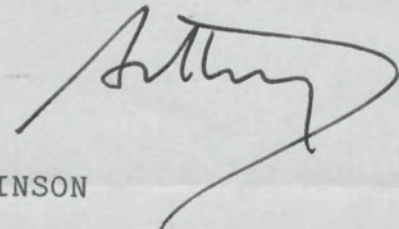
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10 July 1984

Dear Robin

----- As promised I send you herewith a copy of ~~that~~ part of the speaking note used this morning by my Secretary of State, as far as he went. I did not note precisely how far he got. I think that this bit probably has a few lines beyond what he said, but no matter.

The rest I think we had better keep for next time! He may want to alter it.

ANTHONY RAWLINSON



## SPEAKING NOTE

### MEETING WITH PRIME MINISTER ON 10 JULY TO DISCUSS VALUE FOR MONEY IN GOVERNMENT

I wrote last week to Robin Ibbs setting out at inordinate length the mechanisms and the formal systems being put in place in the DTI to improve efficiency and effectiveness. I don't want to go over all this, not least because I do not look to these systems as providing the answer. Things will happen only if we make them happen, and what I want to describe today is the way in which I am trying to make things happen within my Department on a practical level.

I want to cover, very briefly, four subjects:

- objectives and work programmes;
- FMI-related work;
- programme expenditure;
- administrative expenditure.

#### Aims and Programmes

When I came to DTI, found a document on general aims. Useful start to give coherence to merged Department, but very general. Amplified and developed that for public purposes. But not enough to give clear sense of purpose to officials throughout Department. I am clear a much more pointed, detailed, action programme is needed, to translate general



aims into specific plans: so I have introduced specific work programmes for each Division, for next 12 months. For example, T Division. Not all so clear; I am working on those which are indeterminate. One Division had only one target for the first 6 months and that was not achieved. Basic approach is 6 month review of progress, to tick off targets met; and to find out why targets missed, and what to be done - particularly moving right people to right jobs. Central tool to exert Ministerial control. Want to see this fed all the way down the Department: not just for Under Secretaries, but to guide Assistant Secretaries, Principals, EOs. CTP

#### FMI

Two principles to be made to work:

- delegation
- audit

On delegation, we now have over half DTI staff in responsibility cost centres, where management has:

- own budgetary responsibilities, with power to vary numbers and grades.
- consequent local management responsibility to improve efficiency, on which they will be judged;

| 2,500 staff trained on FMI by September 1984

Clear savings already coming through:

- £200,000 pa from BSO and YHRO
- 10% from travel and subsistence.



[These represent of course a very small proportion of total running costs £1m on £265m or 0.4%].

Aim to extend to central divisions in Department.

Vital to make line management accept responsibility for costs of their operations.

The job of Audit is to find out if they are carrying out their responsibilities in the way they should. Audit needs good information systems; effective training; clear reviews.

- need for trained and motivated personnel with good management backing. people with the right skills are scarce in the Civil Service and we have brought in practitioners from Thompson McLintock to strengthen our own Audit unit while our own staff are being trained
- Management Information System
- Rayner scrutinies have reviewed areas covering nearly 50% of the Department's current manpower; and 47% of its programme spend in 1983/84.

#### Programme Expenditure

Determined that programme expenditure should be looked at as tightly as administrative spend. DTI expenditure overall fell by 29% in real terms in 5 years to 1983/84. Within total, big changes in emphasis, from spend on NIs to selective assistance; and to support for innovation in particular.





- concentration on selective regional assistance, to save £150-200m pa, but, because selective, requires extra staff;
- in all industrial assistance, emphasis on "additionality";
- on support for innovation work, we have recently reduced the maximum level of grant (from 33 $\frac{1}{3}$ % to 25%, 20% for capital investment). We have also placed greater emphasis on negotiation of assistance levels in the larger cases (project costs above £500,000). We have also instituted improved post-completion monitoring;
- we have cut out forms of assistance which were too costly, offered relatively poor value for money, or were otherwise low in our order of priorities. Examples are, in all but exceptional cases, the preproduction order scheme and shared cost contracts. I am also closing the Innovation Linked Investment Scheme. This yields savings of £19m in the PES period;
- emphasis on making DTI's schemes more effective because better understood, with less overlap. Hence repackaging of our schemes into a more simple format. Difficult to make a big splash about this at the same time as cutting down our expenditure, but I intend to bring all the DTI schemes together under 4 headings;



- i) business and technical advisory service;
- ii) support for innovation;
- iii) support for national and regional investment;
- iv) British Overseas Trade Board aid for exports.

This includes, but goes well beyond, the similar repackaging of small firms schemes. Will not announce this repackaging until everything is in place, but expect to have all the necessary preparations done before the end of the year.

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