



Chancellor of the Duchy of Lancaster

PRIME MINISTER

SUPPORTING SERVICES FOR ADMINISTRATIVE WORK

... In 1983 Ministers in 6 Departments commissioned scrutinies of particular areas of administrative work and its supporting services. These studies formed part of the central efficiency programme. The work is now complete and I attach a copy of the central team's final report.

Examining officers identified immediate opportunities for savings worth £1.5 million a year in the limited areas they studied. And the possibility of saving a further £7 million a year from using information technology to streamline other administrative operations was found in the Home Office alone.

It would be unwise to assume that the same level of saving is necessarily available elsewhere. But the findings indicate how important it is for departments to have a clear strategy for their deployment of the new technology (as the Central Computer and Telecommunications Agency have been pressing them to adopt). And they suggest that the contribution of information technology to the drive for better value for money needs to be increased by:

- (1) making line managers responsible for the costs of computers as well as of their other resources so that they can take the initiative in obtaining the systems they need to save money and improve services;
- (2) making sure those who advise line managers on efficiency are able to guide them on the opportunities of new technology too; and
- (3) looking outside the main body of ADP staff for help in getting new systems into place quickly, including making more use of the private sector.

The report does not call for any special central initiative. Instead it points to the ways in which departments should now be using the financial management systems they have been developing to ensure that value for money is being achieved in this area. And it highlights the need for the sort of support for line managers recommended by Robin Ibbs in his report on Consultancy, Inspection and Review. So I suggest that you ask me to send the report to Ministers in charge of departments and, where necessary, to help them put these principles into effect.

I am copying this minute to Barney Hayhoe and to Sir Robin Ibbs.

GOWRIE
19 November 1984

Prime Minister⁽⁴⁾

The three recommendations make very good sense. It is far too difficult at present for line managers to get hold of straightforward cheap equipment which they know could improve efficiency. The controls were derided when computers were much more expensive.

Agree that Lord Gowrie should send the report to Departments?

Yes

JMS
25/11

REVIEW OF SUPPORTING SERVICES FOR ADMINISTRATIVE WORK

CENTRAL REPORT

This report summarises the findings of the Review of Supporting Services for Administrative Work. It draws out the general themes which emerged in the detailed studies and recommends action to be taken through the development and use of the work already in progress under the FMI.

2. The report draws on information from six special scrutinies commissioned by departments in 1983. These examined the handling and use of information in particular administrative operations:

<u>Department</u>	<u>Area Examined</u>
HM Customs & Excise	Selected Headquarters Offices
Employment	Job Release Scheme and Industrial Tribunals
Environment	Regional Offices
Home Office	Probation and Magistrates' Courts; Information Technology throughout the department.
Inland Revenue	Capital Taxes Office
Management and Personnel Office	Civil Service Commission

3. Two other 1983 scrutinies - the Review of the CCTA and the Generation and Use of Paper in the Welsh Office - were concerned with related areas but did not form part of the main review. The evidence from other scrutinies and reviews has also contributed to the conclusions of this report.

4. We received evidence from the Council of Civil Service Unions which has been taken into account by examining officers during their work and in this report.

5. Most of the broad themes are familiar: they are common to previous reviews and to the work on the Financial Management Initiative. But they are still important - and the progress on implementing the FMI now gives a good framework for further action.

THE COSTS INVOLVED

6. It is difficult to isolate the costs of supporting services within the cost of administration as a whole. Many of the supporting services are concerned with information handling, yet even senior staff have to handle and organise information as well as take decisions on it. But one can say that about 260,000 civil servants are in grades or functional groups wholly or largely concerned with handling information and supporting administration. They include clerks, typists, messengers, paperkeepers, photocopier operators, librarians, and computer programmers and operators. They cost about £1800 million a year. In addition we spend about £230 million a year on administrative computer equipment and services.

WHAT THE SCRUTINIES FOUND

7. The scrutinies concentrated on finding practical ways of improving the efficiency and effectiveness of specific operations and their supporting services. The opportunities they found to improve value for money arose where there was still:

(1) Lack of clarity about objectives, priorities and standards of service

For instance the scrutiny in HM Customs and Excise found that unnecessary work by the Translation Service could be avoided if customer divisions were asked to specify whether a quick translation of the gist would be sufficient or whether a full and accurate translation was required. The scrutiny at the Civil Service Commission showed that effectiveness was impaired because the reprographic unit was providing a different level of service to that justified by the needs of the work. In the Welsh Office less cost-effective methods were used because not all customer divisions were aware of the quality and speed of service that the central reprographic unit could provide.

(2) Duplication of information

For instance DOE regional offices supply data for central records but the scrutiny found that, because they have no ready means of accessing these records, they keep their own records as well. The Inland Revenue scrutiny found that 6 records covering a range of information about individual Capital Transfer Tax cases were kept for different purposes.

(3) Information kept for too long

For instance in the Civil Service Commission competition files were retained for 15 years, whereas the scrutiny found that on the evidence of actual usage 3 years would be sufficient, saving £30,000 a year in storage costs. In HM Customs and Excise the scrutiny found that routine casework files were seldom referred to after action was complete and retention for 2 rather than 5 years would be adequate.

(4) Obstacles to the use of Information Technology

All the departments examined have substantial ADP operations. Yet all six scrutinies pointed to places where the further application of IT could cut costs and improve services. For instance the DOE scrutiny showed how the introduction of IT in regional offices could save over £200,000 a year net on administrative work costing £2.6 million and, at the same time, improve the effectiveness of central government's dealing with local authorities. The Home Office scrutiny showed the scope for substantial savings (estimated as up to £7 million a year) from the application of small-scale information technology to common functions throughout the department.

But the scrutinies also highlighted two barriers to faster progress: the framework of controls and the deployment of resources.

Commenting on the arrangements for advice on and procurement of information technology the examining officer in the Home Office concluded:

"There is a set of procedures, precautions and justification mechanisms originally devised for large ADP systems sometimes out of all proportion to the prospective investment in modern technology. The result has been to stifle the growth of IT and in consequence limit the benefits accruing to the Office."

and the DOE examining team described the outcome of the procedures as follows:

"The result is in practice a 'disabling' rather than an 'enabling' process, as potential users of IT find themselves steering a path through a complex process of consultation and liaison with these separate groups (with unforeseen problems tending to emerge at each stage) before being sure that they have covered all relevant aspects. Even after authorisation, procurement of equipment and implementation of systems can be unnecessarily time-consuming."

The scrutinies also showed that ADP staff were already heavily committed to existing work. But they also possess some of the skills needed to implement new IT systems successfully. In the Home Office ADP Unit 51 out of 82 staff engaged in systems analysis and programming were committed to maintenance and small enhancements of existing systems. In the Department of Employment the scrutiny found that savings of £175,000 a year in the administration of job release payments were being foregone because there were insufficient ADP staff to make the changes to the computer program.

WHAT NEEDS TO BE DONE

8. Building on the progress already made by departments the scrutinies in this review made specific recommendations for management action in the departmental operations concerned. These were estimated to produce direct savings of £1,506,500, with scope for further estimated savings of £7,260,000 from further potential applications of information technology in the departments concerned. The findings of the individual scrutinies were:

<u>Department</u>	<u>Available Now</u>	<u>Further Opportunities</u>
Customs and Excise	£268,000	
Employment	£455,000	
Environment	£200,000	Unquantified
Home Office	£400,000	£7,000,000
Inland Revenue	£68,500	£260,000
Management and Personnel Office	£115,000	

9. In addition the scrutinies have given the departmental Ministers concerned pointers to wider action needed in their departments to improve information handling further. For instance:

- the Home Office report recommends changes in the way support on information technology is made available to line managers;
- the Department of the Environment report recommends an information technology strategy to improve the operations of the department's regional offices and to ensure that decision-takers there and headquarters have better access to relevant information; and
- the Department of Employment report recommends ways in which information handling and storage policies should be tackled within the Department's developing management systems.

10. It would be wrong to assume on the evidence of these scrutinies that the scope for improvement they have found necessarily exists on a wider scale. But they do show what is needed to allow line managers to make the right choices about support services and to get best value for money from administrative work. Three particular requirements stand out:

1. Standards of Service

11. The Financial Management Initiative stresses the importance of managers having "a clear view of their objectives and means to assess outputs and performance in relation to those objectives." For all managers the economical and efficient use of resources will be a major objective. But an administrative support operation does not exist in isolation: it enables the performance of the main administrative activities in the department. To each business in the department other aspects of service, such as accuracy, speed and ability to respond to requirements may be as important as cost if it is to deliver the overall administrative product efficiently and effectively. Different businesses may require different levels of service. The scrutinies have shown what can go wrong when there is a mismatch between the standard of service provided and the standard that is needed or expected. This suggests that **targets for standards of service should be forming an important part of the annual objectives of each support unit and that the service provided should be monitored against these targets.**

12. Making the standard of service more explicit will benefit both the provider and each consumer: the provider because it gives him clearer objectives and guidance on the priorities expected of him; and the consumer because it gives him a firmer basis on which to plan his own work and on which to judge whether he is getting value for money. Moreover including consideration of standards of service in annual budget- and objective-setting will focus attention on any mismatches of priorities and help apportion the accountability for getting the overall job done among those who will be contributing to it. And, as advances in technology offer new ways of doing administrative work, having standard of service targets will assist the evaluation of investment options.

13. The primary responsibility for drawing up standards of service and monitoring them rests with the managers of the supporting services - in consultation of course with their customers. For good managers this will really mean making more explicit existing processes of finding out what the customer needs and providing it. Where support is provided by an agency outside the department it is just as important to be clear about the standard of service that is expected. Some work is already in hand - for instance it is part of CCTA's response to the FMI to develop performance indicators such as unit costs and throughput times for its procurement work on behalf of departments.

2. The conditions for change

14. It is central to the Government's policy for Financial Management that line managers are best placed to seek better value for money in their operations. In part it is knowing that his performance will be assessed in terms of what improvements he has introduced that should focus the manager's attention on where the soft spots lie and where the scope for change is. But the manager is also influenced by:

- (1) The signals he receives about what can be changed and the support he will get if he changes it. For instance reductions in record keeping are unlikely to occur unless he is confident that the inevitably higher degree of risk if there is a complaint is acceptable.
- (2) The practical information he has about how improvements can be made. Wide circulations of general information do not give much assistance; but good evidence from other people in a similar position can be invaluable; and internal consultancy services have a vital role in identifying and communicating best practice. For instance the DOE scrutiny in this review found that adopting the best combination of existing local practices in all the offices could yield over 20% economies in each of two major activities. DHSS have produced a booklet for their local social security offices giving a wide range of examples of successful local initiatives.

3. Making good use of information technology

15. Taking advantage of the potential benefits of information technology will have a major impact on the cost and quality of administrative work in Government.

16. Significant progress has already been made in simplifying and reducing controls on IT expenditure and projects. CCTA has already delegated substantial authority to departments; the CCTA Review proposed devolving more responsibilities. Most departments now have an Information Technology strategy to provide a framework for developments. The implementation of the FMI is encouraging line managers to look at the way their resources are distributed. And Information Technology is becoming more integrated into day-to-day administrative operations. All this suggests that **expenditure on IT should increasingly be seen as just another cost and, in line with other running costs (particularly staff), responsibility for it delegated to line managers.** Like other costs line managers would still have to be conscious of overall departmental policies (eg its IT strategy) and, as for any other investment, to be able to demonstrate its financial and technical viability according to the cost and the risk involved. **But spending on IT is no exception to the principle that the line manager is in the best position to deploy all the resources to get the job done most effectively.**

17. The responsibility for ensuring that departmental controls help rather than hinder the development of IT systems rests with the chairman of the departmental IT strategy committee. He is well placed to view information as one of the department's resources. It is his job to ensure that the department's IT strategy is targetted at, and sets priorities for, improving the management of this resource. And it is also he who must strike the balance between central controls that ensure that the department's IT strategy is carried through and the freedom for line managers to take action to obtain the systems they need to get their tasks done most efficiently.

18. One yardstick of effectiveness is the extent to which any necessary controls catch potentially risky proposals while allowing straightforward cases to get straightforward treatment. For instance the existance of a clear IT strategy and of a well-developed budget centre system allowed the DOE examining officer in this review to conclude that decisions about whether to

purchase a small microcomputer should be delegated to budget-holders themselves. (The choice would be from a limited range to ensure compatibility with other small machines, with the department's larger systems and with its IT strategy as a whole.)

19. Providing the resources to implement the burgeoning range of IT applications in government will also be a challenge to departments over the coming years. Partly this is a matter of total skilled resources: staff in the ADP functional specialism are already hard-pressed to keep existing systems running and to implement the highest priority new systems. But the scrutinies have also pointed to the importance, as IT becomes more integrated into the office itself, of providing more and closer IT support to line managers. **Options open to chairmen of departmental IT strategy committees include:**

- (1) Making more use of the private sector, particularly to cope with peaks in the work and to accelerate the achievement of savings already identified.
- (2) Making more use of software packages (particularly now that line managers are starting to get the management systems and the pressure for improvement that allows them to trade off functions for cost and availability).
- (3) Developing 'Small Systems Groups' or their equivalent to provide support to IT users in particular businesses within the department (as, for instance, has been done in the Ministry of Defence and, in a similar form, for the Prison Department within the Home Office).
- (4) Making more use of staff currently outside the ADP functional specialism.

20. This last point needs expansion. Over 50% of our EO entrants are graduates. Staff outside the Administration Group have relevant IT skills (to which both Home Office and Department of Environment scrutinies in this review have pointed). And there is an increasing level of IT awareness within and outside the civil service. So there must be a seam of untapped aptitude within the Civil Service which could be developed to help bring small systems into early use. It would be wrong to think that we could do without the core of professional skills from the functional specialism: but there is scope for building up an intermediate level

of expertise to help departments through this period of rapid change. The examples of the CCTA/MPO Quick Applications Methodology (which allows line managers, with brief training, to identify and evaluate potential uses of small systems in their own command) and the mix of administrative and technical skills in some small systems groups show ways in which this can work.

Action

21. Action on these issues in departments will be through making use of existing (or developing) procedures and management systems rather than creating new ones. In particular, the development of activity plans and budgets for those in charge of support services can and should be used rigorously to secure the kinds of improvements indicated in this report. The key questions top management need to ask to help this happen are:

- (1) To what extent are quantified standards of service included in the targets of the supporting services? How are the targets set? How are they monitored?
- (2) What steps have been taken to signal to line managers the support from the top for making changes if the benefits outweigh the increase in risks?
- (3) How do line managers obtain information on practical steps they can take to improve value for money? Who is responsible for seeing that best practice is passed on to others in similar positions? How is effectiveness judged?
- (4) To what extent does responsibility and control for information technology line up with the strategy of the department, under the FMI, for responsibility and control of other running costs? Does this ensure managers can make tradeoffs between IT and other expenditure?
- (5) How does the department intend to deploy its ADP and other staff to ensure the prompt implementation of cost-effective IT systems so that savings and other benefits are secured at the earliest opportunity? To what extent is the development of IT supply-limited?

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