

NORTHERN IRELAND OFFICE

Scrutiny

Financial control in Northern Ireland Civil Service

Main Findings

Present system inhibits planning and control of regional objectives.

Main Recommendations

New central department for finance and efficiency. Departmental finance branches to be part of new department and out-posted. Procedural changes.

Cash Savings per annum

Not quantifiable.

Staff Savings

Not quantifiable.

Comments

Report received in November. Consultations in progress.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Scrutiny

Support for Health Care Exports.

Main Findings

DHSS activities fragmented. May not be in best interests of industry.

Main Recommendations

Industry, not DHSS, should spearhead export efforts. Health Care Exports Team to be set up to draw up and implement a strategy for DHSS withdrawal and future.

Cash Savings per annum

£0.5 million
83 per cent of total expenditure.

Staff Savings

20

Comments

Savings to be achieved progressively over period up to 1985. Action document agreed.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Scrutiny

Validation of National Insurance Contributions

Comments

Staff Side opposition delayed start of project. Report due February 1981.

DEPARTMENT OF TRADE

Scrutiny

Patent Office

Main Findings

Backlog of work; complex procedures. Unnecessarily labour-intensive.

Main Recommendations

More mechanisation and computerisation. Relocate offices. Procedural and fee structure changes.

Cash Savings per annum

£3.2 million
15 per cent of total expenditure

Staff Savings

268

Comments

Recommendations accepted in principle.

DEPARTMENT OF ENERGY

Scrutiny

Economic and Statistical Service

Main Findings

Duplication and complex working patterns. Unnecessary international returns.

Main Recommendations

Cut-back returns to international agencies. Reorganise work. Develop data handling system. Charge for publications.

Cash Savings per annum

£0.1 million
12 per cent of total expenditure

Staff saved

12

Comments

Action document agreed. Most recommendations accepted. Two-thirds of savings achieved. Most of rest by 1 April 1981.

DEPARTMENT OF EDUCATION AND SCIENCE

Scrutiny

Administration of student awards

Main Findings

Big savings could only come from a simpler grant system.

Main Recommendations

Review scope for centralisation and simpler grant system. Procedural changes. Invite local education authorities to pool administrative resources.

Cash Savings per annum

Approximately £0.5 million
Total savings of £1.15 million, mostly to LEAs.

Staff Savings

Not yet quantified.

Comments

Bigger savings possible depending on policy changes. Awaiting decision on student loans.

PAYMASTER GENERAL'S OFFICE

Scrutiny

Working relationships with banks.

Main Findings

Big savings if Bank of England take on some parts of work.

Main Recommendations

Bank of England and PGO to look at computerised clearing service. London Office clearing function to go to Bank.

Cash Savings per annum

£37,000

46 per cent of total expenditure

Staff Savings

3

Comments

Savings from second recommendation not yet quantified. Recommendations accepted. London Office to be closed.

DEPARTMENT OF TRANSPORT

Scrutiny

Vehicle Excise Duty Enforcement

Main Findings

In 1980/81, evasion may cost £110 million (10 per cent). Imbalance between flow of reports of offences and capacity to deal with them.

Main Recommendations

Changes in enforcement organisation and procedures.

Cash Savings per annum

£6.2 million (extra revenue).

Staff Savings

-

Comments

Sir Derek Rayner to report to Prime Minister shortly. Full costs of enforcement exceed sums recovered. Discussions continuing.

DEPARTMENT OF TRANSPORT

Scrutiny

Standards and certification of roads and bridges.

Comments

Report expected early in 1981.

Mr PATTISON

Prime Minister

2.

This minute says, politely, that Mr Heseltine is dragging his feet. It is unfortunate that he and Derek Rayner do not seem to have developed a good working relationship. MPA 19/11

REPAYMENT FOR PSA SERVICES

1. Sir Derek Rayner was asked to bring forward proposals on repayment for PSA services, in consultation with the Secretary of State for the Environment and others, for consideration by Ministers this year (your letter to Mr Edmonds of 18 February).

2. He had planned to report in early November following consultation with the Chancellor of the Exchequer, the Lord President of the Council, the Secretary of State for the Environment and a number of Permanent Secretaries from the larger departments. He received the report from the interdepartmental group of officials who have supported him in this work on 29 September.

3. He received the views of the Chancellor on 27 October the Lord President on 28 October and a group of Permanent Secretaries on 12 November.

4. The timetable has slipped however owing to delays in receiving the views of the Secretary of State for the Environment. A meeting originally fixed for 6 October was postponed, at his request, to 28 November and further postponed to 3 December. He has now asked Sir Derek to put off making his submission until he has had a chance to think further and in depth about the issues and to put his views to him in writing. These are unlikely to arrive before the beginning of the New Year.

5. In view of his remit to consult with the Secretary of State (as the Minister with responsibility for PSA) Sir Derek seeks the Prime Minister's agreement to his postponing bringing forward proposals until January. He does so with apologies.

D R ALLEN
18 December 1980

*Perhaps we can have
a joint meeting with me
before the House resumes.*

M J

not

original filed on

Prime Minister



PRIME MINISTER

ADMINISTRATIVE FORMS

The review of Government Statistical Services is now completed and Sir Derek Rayner is about to submit his report to you and me. I think it has produced useful savings. I will put proposals to you shortly for a similar service-wide review of supporting services in government Research and Development establishments. But meanwhile I suggest that we could get ahead with a review of forms as a follow up to the statistics review.

I propose three main topics for the review. First, what is the scope for reducing the volume and cost of administrative forms to the business community? Secondly, to consider the scope for simplifying forms and making them more intelligible. Thirdly, to examine arrangements for controlling the issue of new forms and for reviewing existing ones.

Because of the size of the task, we will need to be selective. I suggest we ask two or three departments to nominate teams to consider the first two aspects. A CSD team would tackle the third and co-ordinate the other studies.

The aim would be to reduce on a continuing basis the numbers and increase the effectiveness of forms.

Sir Derek Rayner believes this is the right approach and has agreed to oversee and co-ordinate the work. He will be supported by CSD staff.

We would complete the review by the end of the summer. Sir Derek Rayner will then put to you and me a report setting out his assessments and recommendations. We can then advise on follow-up action.

If you agree, I propose that I should launch the review by writing individually to the Ministers concerned. May I say that it has your blessing?

I am copying this to the Chancellor of the Exchequer, and to Sir Derek Rayner and Sir Robert Armstrong.

SOAMES

18 December 1980

Agree that Lord Soames should start a selective review of administrative forms, with your specific authority?

Yes please. Excellent, not

MP 22/11/80

FROM THE PRIVATE SECRETARY



✓ *NAD* *sent*
had
HOUSE OF LORDS,
SW1A 0PW

MANAGEMENT IN CONFIDENCE

16th December, 1980

C.A. Whitmore Esq.,
Principal Private Secretary
to the Prime Minister,
10 Downing Street,
London, SW1.

Dear Clive,

Efficiency in Central Government:
Scrutiny Programme 1981

In your letter of 1st December you asked for proposals from Departments for next year's scrutiny programme.

The Prime Minister will be aware that at the Lord Chancellor's request this Department is currently the subject of a Management Review. This Review, which has just begun, is being conducted by a high-powered team drawn from the CSD and this Department, and two of our best staff have been detached from their normal duties to work on it. Although we do not see the Management Review as part of the continuing scrutiny programme, it is directed to similar ends, and will take up a very large proportion of the limited resources which we have available here for this sort of work. Additionally, we are committed to undertaking a review of the bailiff service, and to give some thought to the future of the Public Trustee. In addition to this we have a continuing programme of management audits.

The Lord Chancellor has concluded that, in the light of all this, he would not wish to put forward any proposal for a "Rayner" scrutiny for next year. This decision does not imply any doubts on his part of the value of these scrutinies, three of which have already been completed within this Department. Nor does it imply that he considers that there are no more areas of the Department's work which would benefit from a scrutiny. The reason is the very limited resources available within this Department for this type of work are already more than fully committed for 1981, largely in connection with the Management Review. I understand that Sir Derek Rayner is aware of this, and accepts that we should be omitted from the 1981 scrutiny programme.

/Contd.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

I am sending a copy of this letter to Sir Ian Bancroft,
Sir Douglas Wass, Sir Robert Armstrong, Mr. Ibbs and Sir Derek
Rayner.

Yours sincerely,

Michael Collon

M.H. Collon

MANAGEMENT IN CONFIDENCE

YD

cc Profs Office

*Get
Mach*



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

12 December 1980

na MPD 12/12/80

Dear Sir

The Secretary of State proposes to announce on Tuesday 16 December by written answer the appointment of Mr Nigel Mobbs to the group of experts charged with advising the Property Services Agency. A copy of the PQ and the answer is attached.

I am sending copies of this letter to Ian Ellison (Industry) David Omand (Defence), Jim Buckley (Lord President's Office) Peter Jenkins (HM Treasury), Richard Prestcott (Paymaster General's Office) David Allen (Sir Derek Rayner's Office), and David Wright (Cabinet Office).

*I am
D A Edmonds*

D A EDMONDS
Private Secretary

Mike Pattison Esq

DRAFT ARRANGED PQ

To ask the Secretary of State what proposals he has for obtaining advice about the operations of the Property Services Agency from those with relevant experience in the private sector.

Answer

In order to widen the range of outside advice available to me and the Property Services Agency, I am asking Mr Nigel Mobbs, Chairman of Slough Estates Ltd and the Charterhouse Group to take over the chairmanship of an enlarged group of experts from the private sector. I hope to announce further appointments shortly.

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COVERING CONFIDENTIAL

cc for information *MA*

Mr BUCKLEY

✓ Mr Rattison
Sir Derek Rayner o/r
Mr G E T Green
Mr Colman

CCSU AND RAYNER

You might like to show the Lord President the attached note of a talk over lunch with Mr P D Jones.

CP
C PRIESTLEY
10 December 1980

Enc: As indicated

NOTE FOR THE FILE: CCSU

1. Mr P D Jones had lunch with me yesterday, when I brought him up to date with developments on the Rayner exercises and said that this office was being strengthened in order to enable Sir DR, while remaining in situ, to stand back somewhat. I said that the call had recently gone out for subjects to be included in the scrutiny programme for next year.

2. I asked whether there would be any value in a meeting with the General Secretaries in the reasonably near future. Mr Jones thought not. Ironically, "Rayner" was causing very little trouble with the unions, even at a time when they were looking round for grievances. It was probable that the projects and scrutinies were more about efficiency than about manpower savings, even if some exercises did have strong manpower implications; one of these was the GSS review but even there the CPSA, whose membership would be affected, seemed at present very unconcerned. The FDA would also be concerned about the GSS exercise but the effect of this remained to be seen.

3. Another aspect of the Rayner exercises was that they had further extended the boundaries of consultation, so that there were no complaints on that score, either in principle or (Mr Jones thought) very much in practice.

4. Even so, however, it would probably not be wise to seek a meeting with the General Secretaries in the foreseeable future. They were jumpy, baffled and frustrated; moreover, there was a big head of steam in the membership for the Civil Service trades unions to start behaving like trades unions; and it would be a pity if co-operation or goodwill were withdrawn from Rayner, whose humane disposition towards

the staff was appreciated by the General Secretaries. Apart, from that, they found him, both collectively and individually, very difficult to dislike or oppose.

5. Mr Jones's view was therefore that we should stick to a personal relationship with Mr Kendall and himself. He rang on 9 December to confirm this. It would be useful to have a foursome in the New Year and to provide Mr Kendall and himself with information about the products of Rayner projects 1979 and the scrutiny programme 1980. I said that I thought we could easily do this.

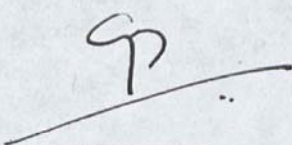
6. On the "industrial action" front, Mr Jones mentioned that the CCSU was withdrawing co-operation from the Chain of Command Review. I said I found this difficult to understand in certain respects. The public reaction would be much as that indicated in the Guardian leader on 5 December and I believed that many staff would have better jobs if the hierarchy were shorter. Mr Jones, I think, rather sympathised with these points, but said that at the CCSU's meeting with CSD representatives earlier they had been left with a very clear impression that, come what might, the CSD intended to cut out two grades. I said I was surprised that CCSU had gone away with this impression.

7. Mr Jones also expressed his own surprise at the strength of membership feeling against the Government at the moment. The meetings arranged in the current round of protest were very much better attended than had been expected and he sensed that disaffection was rife in at least a third of the Service. It now touched management levels which had not been readily touched before. He himself thought that the plug would be pulled on some computer operations. More generally, he felt that the Government had alienated many of the 3.75 million people entitled to index-linked pensions and that a powerful movement here, taking into account the 2 million unemployed, would have

CONFIDENTIAL

seriously political consequences for the Government over the next year or so. I said that there was some force in this, but that public servants too readily neglected the resentment felt by private sector workers about their "privileges".

8. We also had a word about the image of the Civil Service. I said that we face persistent difficulty of interesting the media in good news. For our part, we kept plugging away at it. But it was significant that the BBC had used no part of the interview filmed with Sir Derek Rayner in the Newsweek programme transmitted on 5 December. That was plainly because Sir DR's answers to questions did not fit in with the pre-determined line being taken by the interviewer, Mr Jessel. Nonetheless, we should keep on down this road.


C PRIESTLEY
9 December 1980



[Blind copy:-
✓ by Pettigrew]
MK

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

8 December 1980

Sir John Garlick KCB
Department of the Environment
2 Marsham Street
London SW1

John Garlick

SCRUTINY OF JOINT REGIONAL OFFICES

1. As Derek Rayner went to Japan at the weekend he asked me to thank you on his behalf for your letter of Friday and to reply. He was grateful for the opportunity to comment on the draft minute following the very helpful meeting he had with Peter Baldwin and you last Wednesday morning.
2. There are only two comments on the DTP draft, to suggest first the deletion of "RAYNER STUDY TEAM" from the title (this applies also to the DOE draft) and secondly the addition of "and Sir Derek Rayner" at the end.
3. Comments on the DOE draft are perhaps most conveniently indicated by means of the enclosed possible revise. The main changes occur in paras. 1, 2, 5, 6 and 7. Their effect is to
 - separate the treatment of structure and of procedural/administrative matters
 - beef up Derek Rayner's support for the structural decisions
 - clarify the savings made (on which however you might wish to say still more)
 - clarify the timing of further decisions (paras. 7 and 9).
4. Three further small points:
 - a. There is a certain unevenness in the treatment of names: Derek Rayner, Sir Derek Rayner, Norman Fowler, Norman, Michael Heseltine all appear but Ministerial titles also appear at the end of the DTP draft. Is it unnecessarily fussy to suggesting going for one style only?
 - b. Para. 8 of the DOE draft refers to DE regional offices. These are Benefit Service Offices; is it necessary to mention also (or instead) the regional offices of the MSC which now carry out certain "intelligence" and related functions of the Secretary of State for Employment?

c. I assume that the intended copy addressees for each minute are the same, although described differently.

Yours sincerely,

C. Priestley

C PRIESTLEY

Enc: Possible revise of DOE draft

DRAFT MINUTE FOR MINISTER TO SEND TO THE PRIME MINISTER

MANAGEMENT IN CONFIDENCE

~~RAYNER STUDY TEAM~~ SCRUTINY OF THE JOINT REGIONAL OFFICES OF THE DEPARTMENTS OF THE ENVIRONMENT AND TRANSPORT

1. Michael Heseltine is writing to you today/has written to you on December to let you know what he and I have in mind on the major proposals of the recent Rayner study team scrutiny of our regional offices. I entirely endorse what he is proposing.
2. Some of the report's recommendations are concerned only with the Transport functions of the joint offices. I should add a few words about these.
3. Generally, neither roads nor public transport present the same problems from one region to another. For example, there is more work to be done on the motorway programme in the south than in the north, because the north was given most of the early benefit. What I need to do, therefore, is to arrange the manning to suit the local problems. This is a pragmatic approach, but it will have some common features.
4. First, I intend to merge the six Road Construction Unit Headquarters with the regional offices (which on the proposals which Michael and I are putting to you will be headed by six Regional Directors, instead of eight as hitherto). We shall need to decide in the differing local circumstances how to move towards locating the offices together: at present the Road Construction Unit Headquarters are all in different towns from the Regional Offices.
5. Secondly I shall want to look at the future staffing for TPPs (Transport Policies and Programmes, which are submitted annually by the counties) and Transport Supplementary Grant, and also at the

control of development adjacent to trunk roads.

6. I expect to achieve a closer knit organisation and a reduced workload and to score staff savings on both counts.

7. I am sending copies of this minute to the Lord President, the Chancellor of the Duchy of Lancaster, the Home Secretary, the Secretaries of State for Employment, Industry and Agriculture, Fisheries and Food, ~~and to~~ the Secretary of State for the Environment,
and Sir Derek Rayner.

DRAFT MINUTE FOR THE SECRETARY OF STATE FOR THE ENVIRONMENT TO
SEND TO THE PRIME MINISTER

SCRUTINY OF THE JOINT DOE/DTP REGIONAL OFFICES

1. Two examining officers appointed by Norman Fowler and me have recently reviewed the joint regional structure of our Departments. You asked Derek Rayner to take an interest in this scrutiny on your behalf. The report made major strategic recommendations on the number, and boundaries, of our regions. It also made recommendations on a wide range of procedural and administrative matters that are, in total, of considerable importance.

Number and boundaries of regions

2. The strategic recommendations on boundaries have led to a lot of uncertainty and speculation - among our staff and among outside interests. You yourself have had letters from Members of Parliament in the north east. Norman Fowler and I both think that an early decision on these proposals is essential so as to put an end to present uncertainties.

3. I am therefore writing to you to let you know what Norman and I have decided.

4. In looking at the proposals, we have had two main factors in mind - the need to reduce our joint manpower in the Regions and the political significance of the proposals.

5. Our Permanent Secretaries have discussed our proposals with Derek Rayner, who is content with them as a practical way forward. He endorses the emphasis we place on a selective approach adapted to the fact that we are doing less in total in the regions but also to the political undesirability of completely closing certain offices, and our view that offices should be organised differentially, doing away with the idea of a "stock" office.

6. Our conclusions on the study's specific recommendations have the effect of reducing the number of regions from eight to six and are in detail as follows:

a. We accept the report's proposal to transfer Cumbria from our Northern to North-West Region, so that it will be administered from Manchester instead of Newcastle.

b. The report proposed the merger of the remainder of the Northern Region (ie Northumberland, Durham, Cleveland and Tyne and Wear) with the Yorkshire and Humberside Region to create a new North Eastern Region based on Leeds, though retaining a (reduced) sub-office at Newcastle. This has got out and has evoked strong criticism from local authorities, from MPs and from the press, on the grounds that it indicates a lack of commitment to the North East. So we propose to retain both Regions as separate entities but to arrange that they will share the same Regional Director, who will be based in Leeds.

c. Further south, the report suggests dividing the Eastern Region between the East Midlands and South Eastern Regions (with the opening of an entirely new sub-office, possibly at Cambridge). This would not be cost-effective in administrative terms and also has no political appeal. We propose that the Eastern and South Eastern Regions be left as they are and that we retain the East Midlands as a region but that it should share a Regional Director with the West Midlands Region, who will be based in Birmingham.

7. In both the pairs of twinned regions we shall, of course, save at once an under secretary and his personal staff (£ pa). We intend to secure further staff savings by local organisational arrangements adapted to local conditions. The essence of this will be flexibility, not a stock organisation. We shall be able to say how large these further savings will be when the details have been worked out, which will be by .

8. The study report stressed the importance of close co-operation at local level between our regional offices and those of the Departments of Industry and Employment. We accept the principle of co-location of staff of the four Departments as a long-term objective. Meanwhile we aim to maximise the co-operation of officials responsible for local policies.

Procedural and administrative matters

9. Further study is needed before we can reach a final view on the other proposals in the report. We shall be in touch with

Derek Rayner on these aspects of the report and intend to reach decisions on them by .

Publication

10. I should like to announce our decisions, by means of a written Parliamentary Question, before the Christmas Recess.

11. I am copying this minute to members of H Committee and to Derek Rayner.



RM

Govt Mach

10 DOWNING STREET

From the Private Secretary

4 December, 1980

Your Secretary of State and

The Prime Minister spoke today to the Secretary of State for Industry about their recent minutes on the PSA Advisory Group.

Your Secretary of State confirmed that Sir Derek Rayner would shortly be making proposals about future accounting arrangements. These would not go so far as had originally been envisaged. Your Secretary of State was convinced that the best way of getting to grips on the costs of servicing now provided by PSA would be to ensure strong management from the centre. He was already providing this, and now sought confirmation that he could bring in the best available professional advice, as he had agreed in principle with the Prime Minister earlier in the year.

The Secretary of State for Industry recognised the likelihood of there being great variations in the type of management applied by Departments if these functions were fully devolved. He argued that it was most important for Ministers to get an effective grip on the cost of this work without staff expansion, and suggested that decisions might be left until Sir Derek Rayner had submitted his proposals.

The Prime Minister said that she did not wish to see a new quango, nor did she wish to see long term appointments offered in this field. On the understanding that appointments to an advisory group would be for no fixed term, she was prepared to agree that your Secretary of State should go ahead with reconstituting the group. She would not expect any appointments to continue beyond one year without further reference to her.

I am sending copies of this letter to Ian Ellison (Department of Industry), David Omand (Ministry of Defence), Jim Buckley (Lord President's Office), Peter Jenkins (HM Treasury), David Allen (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

D A Edmonds, Esq
Department of the Environment

VUB

PRIME MINISTER

Mr. Heseltine asked you to approve a reconstituted Advisory Group on PSA, with Nigel Mobbs as its chairman. Sir Keith Joseph got wind of this and, at the suggestion of David Young, intervened, arguing that PSA ought ultimately be reduced to a small core leaving large Government departments to handle their own property and furnishings responsibilities. He feared that the beefed-up Advisory Group would merely help to entrench existing practice.

Derek Rayner confirmed that work on repayment arrangements for PSA services was progressing well, and would come to Ministers for decision quite soon. He suggested that the repayment system would, for the present, be a quite sufficient test of departments' ability to manage their own resources, and that this arrangement should be allowed some time to shake down before you could consider giving individual departments the freedom to play the market themselves.

Mr. Heseltine has asked for this meeting because he wants to appeal against your decision that his revamped Advisory Group proposal should be shelved for the present. In part, he is angry at Keith Joseph's intervention. He is also seriously embarrassed, because he had gone some way down the road with Mr. Mobbs. That is his own fault, he ignored the clear requirements of public appointments practice.

Subject to any new points which come out in discussion, you will probably want to confirm your view that this is not the right time to announce new advisory bodies on PSA affairs: this should be left aside until Ministers consider the repayment issues, at which time it might be appropriate to create a small group of advisers with relevant experience.



3 December 1980

SUBJECT.



FILE

Gort Mach.

10 DOWNING STREET

From the Principal Private Secretary

1 December, 1980

Dear Private Secretary,

BF 5. 1. 81

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

In October last year I wrote to you about the scrutiny programme. Clive Priestley circulated more detailed information in his letter of 1 November 1979. The purpose of this letter is to invite proposals for next year's scrutiny programme. Ministers are asked to send these to the Prime Minister by 9 January and to copy them to Sir Derek Rayner.

All Ministers are invited to propose at least one scrutiny and those in charge of larger departments to put forward more than one. Ministers will also wish to propose a scrutiny in any secondary department for which they are responsible, especially in any which are of a substantial size or, even if comparatively small, which provide important services to Ministers or the public.

The subjects for scrutiny should generally be chosen in areas of work which are characteristic, and which constitute a significant part, of the department's activities. Ministers in charge of the larger employing departments may think it particularly important that some, if not all, of their scrutinies should focus on areas which are manpower-intensive. In general, scrutinies should not be chosen in areas being or about to be affected by policy changes which restrict the opportunity for radical analysis.

Each proposal should contain brief information on -

- (a) Subject: The policy, function or activity to be examined. (Where the subject is a service, please describe the kinds and numbers of clients served and the scale of resources handled).
- (b) Cost of carrying out the policy, function or activity. (Relevant expenditures, borne on the department's own Vote/s, including salaries, wages and general administrative expenditure; relevant expenditures, borne on the Votes of common service departments (broad orders will suffice); where relevant, capital and other assets not covered above).

/ (c) Reasons

RH

- (c) Reasons for selecting the subject.
- (d) Terms of reference.
- (e) Proposed starting and finishing dates.
- (f) Names of examining officers, if known, and Ministerial reporting arrangements.

The Prime Minister has asked Sir Derek Rayner to take an interest in all scrutinies. However, as with this year's programme, he will be asked to associate himself more closely with some scrutinies on her behalf than with others.

It is requested that work on scrutinies should not begin before proposals have been agreed by the Prime Minister. The programme should begin early in the New Year but there is no necessity for a common start-date.

Some scrutinies have already been agreed. These are the Northern Ireland Employment Service and H.M. Inspectorates of Schools in England and Wales (DES) and Scotland (Scottish Education Department).

Subjects for further Service-wide scrutinies (on the lines of the recent review of Government Statistical Services) are being considered separately.

Much has been learnt from the scrutinies so far completed. Sir Derek Rayner has work in hand to draw out points of interest and general application and will make these available to departments shortly, together with a summary of results. As before, the Minister of State, CSD, will be pursuing specific lessons of wider application.

I am copying this letter to the Private Secretaries of members of the Cabinet and of the Minister of Transport and to Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong, Mr. Ibbs and Sir Derek Rayner. Clive Priestley (233 8224) and David Allen (233 8550) in Sir Derek's Office can provide further advice.

Yours sincerely,

Alvin Whitmore.

The Private Secretary.

BF 3:12.80

PRIME MINISTER

Mr. Heseltine is very unhappy about your moratorium on his restructured PSA Advisory Group. He wants to speak to you about this. Agree to see him, with Keith Joseph, at 1745 next Thursday?

MA

Ms

ms.

28 November 1980

Arranged.

EP. 1/12.

1.

PRIME MINISTER

If you agree, we should now invite Ministers to submit proposals for next year's round in the scrutiny programme. The proposals formally come to you, although Derek Rayner analyses them and draws to our attention individual cases where he is unhappy about the proposal.

I attach a minute from Mr. Priestley reporting some of the ideas already in mind for this year. I suggest that you might take a look at paragraphs 6-12 of this.

Content that we should now commission proposals for the next round?

MAD

yes

28 November 1980

Mr PATTISON

THE SCRUTINY PROGRAMME 1981

1. I attach a draft letter (for signature by Mr Whitmore) to Ministers' Private Secretaries inviting proposals for the next round of the scrutiny programme. It has been seen by the Private Secretaries to Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong and Mr Ibbs. The draft is generally self-explanatory, but it may be helpful if I make these points.

Authority for the programme

2. I am assuming that the programme has the approval of the Cabinet and that no specific authority is needed for the second round. The background is as follows:

a. Sir Derek Rayner's minute of 30 August 1979, circulated to Cabinet in September 1979, envisaged that the first year's scrutinies "should be conducted on a pilot basis so that methods and procedures for the second year can be considered in the light of experience" (para. 10). In fact, no significant change is necessary.

b. The Cabinet Conclusions for 4 October 1979 record that there was "general agreement that similar studies should be continued on a regular basis within each Department, and that the Minister concerned should take personal responsibility for the work and for the subsequent implementation of recommendations".

c. Summing up, the Prime Minister said that Cabinet "agreed that the system of 'scrutinies' proposed in Sir Derek Rayner's minute to her should continue".

Draft, para. 3

3. This reflects para. 16 a and b of Sir DR's personal minute to the Prime Minister of 23 October.

Draft, paras. 5 - 7

4. Paragraphs 5 and 6 repeat the arrangements made for the 1980 programme. They provide, in particular for the Prime Minister to

a. take a view on the quality and aptness of the subjects proposed by Ministers; and

b. suggest subjects she thinks of particular importance or interest (v. the Directorate of Overseas Surveys).

5. You will be aware of scrutinies "already agreed". The Prime Minister has taken a close interest in those of HM Inspectorates of Schools (DES and SED). Mr Rossi's letter on the NI Employment Service and Sir DR's reply were copied to her.

6. Mr Heseltine has already proposed a feasibility study of establishing local cost centres in DOE (ie identifying appropriate sub-units; giving them their own local budgets for some or all of their costs; and holding them accountable for their performance against targets). This flows from both his MINIS exercise and the pilot scrutiny of departmental running costs. Sir DR said that he is content (and DOE are getting on with the necessary arrangements) but he has suggested that (and DOE are considering) a "significant and characteristic" DOE function or activity should also be scrutinised.

7. Incidentally, you might like to know that Sir DR is impressed by Mr David Young, Sir Keith Joseph's industrial adviser, who has shown a keen interest in the DOI scrutiny of departmental running costs and has relevant private sector experience. He has proposed (and DOE "will certainly bear in mind") that Mr Young might usefully participate in the study; Mr Young, at Sir DR's suggestion, has also been helping CSD officials in connection with the summary of departmental "running costs" returns to Mr Channon.

Draft, para. 8

8. CSD Ministers would like Sir DR to oversee Service-wide reviews of

- a. supporting services for Research and Development; and
- b. administrative forms (volume, intelligibility and control).

9. These would be run on a similar footing to the review of the Government Statistical Service (now nearly completed), but are not advanced enough to warrant saying more in the letter on the scrutiny programme.

10. However, each review would involve some, not all departments.

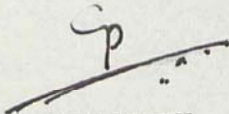
Draft, para. 9

11. The drafting of Sir DR's "interim report" on the scrutiny programme is well advanced and it should come to the Prime Minister soon. It will be in a form that, if the Prime Minister then agreed, could be circulated to Ministers as it stands.

12. I understand that, as a result of the Prime Minister's request (14 January) to Mr Channon in the wake of the "Rayner projects" to follow up lessons of general application, CSD Ministers will be reporting shortly on the outcome of the local authority and industrial sponsorship exercises which formed part of that follow-up.

Date of submission (para. 1)

13. I have put an early date on submission - Friday 19 December - because we know that some departments are already thinking. However, you might think it more courteous and more productive of good subjects to allow Ministers more time; if so, I suggest "by 9 January at the latest".


C PRIESTLEY
26 November 1980

Enc: Draft letter

DRAFT LETTER FROM MR WHITMORE TO PRIVATE SECRETARIES

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

(Earlier references: my letter to Private Secretaries of
17 October 1979 and Mr Priestley's of 1 November 1979)

In October last year

1. The purpose of this letter is to invite proposals for next year's scrutiny programme. Ministers are asked to send these to the Prime Minister by ^{4 January} ~~19 December~~ and to copy them to Sir Derek Rayner.
2. All Ministers are invited to propose at least one scrutiny and those in charge of larger departments to put forward more than one. Ministers will also wish to propose ~~a scrutiny in a secondary department~~ ^{scrutinies & scrutiny in any secondary department} for which they are responsible, especially in any which are of a substantial size or, even if comparatively small, which provide important services to Ministers or the public.
3. The subjects for scrutiny should generally be chosen in areas of work which are characteristic, and which constitute a significant part, of the Department's activities. Ministers in charge of the larger employing departments may think it particularly important that some, if not all, of their scrutinies should focus on areas which are manpower-intensive. In general, scrutinies should not be chosen in areas being or about to be affected by policy changes which restrict the opportunity for radical analysis.

4. Each proposal should contain brief information on -
- a. Subject: The policy, function or activity to be examined. (Where the subject is a service, please describe the kinds and numbers of clients served and the scale of resources handled.)
 - b. Cost of carrying out the policy, function or activity. (Relevant expenditures, borne on the Department's own Vote/s, including salaries, wages and general administrative expenditure; relevant expenditures, borne on the Votes of common service departments (broad orders will suffice); where relevant, capital and other assets not covered above.)
 - c. Reasons for selecting the subject.
 - d. Terms of reference
 - e. Proposed starting and finishing dates
 - f. Names of examining officers, if known, and Ministerial reporting arrangements

5. The Prime Minister has asked Sir Derek Rayner to take an interest in all scrutinies. However, as with this year's programme, he will be asked to associate himself more closely with some scrutinies on her behalf than with others.

6. It is requested that work on scrutinies should not begin before proposals have been agreed by the Prime Minister. The programme should begin early in the New Year but there is no necessity for a common start-date.

7. Some scrutinies have already been agreed. These are the Northern Ireland Employment Service and HM Inspectorates of Schools in England and Wales (DES) and Scotland (Scottish Education Department).

8. Subjects for further Service-wide scrutinies (on the lines of the recent review of Government Statistical Services) are being considered separately.

9. Much has been learnt from the scrutinies so far completed. Sir Derek Rayner has work in hand to draw out points of interest ^{and} general application and will make these available to Departments shortly, together with a summary of results. As before, the Minister of State, CSD, will be pursuing specific lessons of wider application.

10. I am copying this letter (~~advice about which may be had from Clive Priestley or David Allen on 233 8224 and 233 8550 respectively~~) to the Private Secretaries of members of the Cabinet and of the Minister of Transport and to Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong, Mr Ibbs and Sir Derek Rayner. *Clive Priestley (233 8224) and David Allen (233 8550) in Sir Derek's office can provide further advice on the selection of subjects for the programme.*

PART 6 ends:-

S/S ENR to S/S Defence 24.11.80

PART _____ begins:-

Priestley to MAP + atts 26.11.80

PART

7

ends:-

MAP to Prestley 2.2.81

PART

8

begins:-

MOD to TL

2.2.81

Gott M. J. J. J.



10 DOWNING STREET

From the Private Secretary

MR PRIESTLEY

The Prime Minister was grateful for Sir Derek Rayner's submission of 30 January, reviewing proposals so far submitted for the scrutiny programme in 1981.

The Prime Minister is content with the scrutinies recommended for approval by Sir Derek Rayner with one exception. She feels that the Department of Employment scrutiny within the Manpower Services Commission on resettlement work for the disabled could well be misrepresented, and that this particular topic might be better left to another year. In the case of the proposals from the Secretary of State for the Environment she has also registered surprise that the PSA subject deals with a relatively small item of expenditure, but she is prepared to accept Sir Derek's advice on this.

She is content with the action proposed by Sir Derek on those scrutinies he does not regard as suitable, and she is also grateful for his advice on those which he intends to follow with particular care.

In respect of the Lord Chancellor's Department, the Prime Minister would prefer that Sir Derek Rayner refrains

/from

ALJ

from pressing him to hard for a subject in this round.

May we leave it to your office to convey to Departments the Prime Minister's response to their scrutiny proposals?

I am sending copies of this minute to Mr. Buckley (Lord President's Office), Mr. Colman (Civil Service Department) and Mr Wright (Cabinet Office).

M. A. PATTISON

2 February 1981

PRIME MINISTER

in folder attached to file

Here is advice from Derek Rayner and the Lord President about the proposals submitted for scrutinies this year.

The key to their analysis is contained in paragraph 3 of their submission. Much bigger targets are necessary if the programme is to have a chance of offering the substantial contribution to manpower targets which the Lord President hopes to see.

The scrutinies listed in paragraph 5 are recommended as acceptable, and you need not look at these in detail.

Paragraph 7 (flagged A) sets out those which seem unacceptable. Derek Rayner and the Lord President are already challenging most of these, and seek your endorsement of their search for something better. Agree? *Yes*

Paragraph 9 covers departments where negotiations are still in progress, and a separate submission is on its way. Defence is most important here, and two good proposals have already been processed. There may yet be an argument about finding one covering much more manpower.

In paragraph 10, Derek Rayner explains that he is still pursuing a search for something in the Lord Chancellor's departments. The Lord Chancellor has been feeling very battered, both on manpower cuts and the scrutiny programme; there might be some advantage in suggesting that he is not pressed too hard. Do you agree? *Yes*

Paragraphs 12 and 13 list the ones that Derek Rayner intends to follow with particular care. There may yet be additions from the subjects yet to be settled.

MRD

The MSC scrutiny (p.4) with minor amendments

30 January 1981

PRIME MINISTER

THE SCRUTINY PROGRAMME 1981

1. Most Ministers have now replied to your private secretary's letter of 1 December seeking proposals. A summary is attached. This minute contains the advice of the Lord President and myself on your response.

COVERAGE OF THE PROGRAMME

2. Ministers were invited to choose topics from characteristic areas in a significant part of their departments' activities. This will be a crucial year for the success of the Government's civil service manpower policy. Mr Whitmore's letter therefore suggested that Ministers in charge of the larger employing departments might think it particularly important that some, if not all, of their scrutinies should focus on manpower intensive areas.

3. On the whole, the list of proposals is disappointing. There are some quite large subjects and some interesting ones. But there is no "star turn" like last year's DE/DHSS exercise; some proposals just will not do: and the likely savings from the proposals made would be less than in 1979 or 1980. The main considerations are these:

- a. The proposals appear to cover about 8,000 posts. That is no more than the total recommended savings from last year's scrutiny programme.
- b. The Government's policy for Civil Service manpower needs to save 14,000 posts a year from greater efficiency (ie the 2% a year budgeted for in most of the manpower targets). The Lord President's view is that, as few scrutinies can be implemented in the year they are undertaken, especially the "Johnston" type, the Government needs to look to

each year's scrutiny programme to produce at least savings of the order of 1980's scrutiny programme.

- c. If we assume that the average recommended saving will be 15%, this year's scrutiny programme should cover 40,000 - 50,000 posts to achieve a potential result like last year's.
- d. Over 60% of the Civil Service (450,000 posts) is accounted for by three Ministers - the Chancellor and the Secretaries of State for Defence and Social Services. But their proposals for 1981 cover no more than some 3,000 - 4,000 posts. The Lord President believes that each of these Ministers needs at least one "Johnston" type scrutiny.

AGREED OR ACCEPTED PROPOSALS

4. You have already consented to or authorised the following:

- HM Inspectorate of Schools (Nos. 17 and 24
in the Annex)
- The Northern Ireland Employment Service (No. 19).

Rec. 1

5. I recommend that you agree now to the following and that I should press for additional scrutinies as indicated.

Home Secretary

Subject The Forensic Science Service - Annex No 1 -
(also relevant to the Service-wide review
of R & D supporting services).

Cost £15m

Remarks The proposal is about containing new demands
rather than making economies. I may want to
suggest to the Home Secretary that he
considers whether a second topic can be
found.

Chancellor of the Exchequer's Departments

- Customs and Excise

Subject VAT registration procedures - Annex No 4.

Cost £5m

Remarks I suggest that "de-registration" should
also be covered by the examination.

- Customs and Excise

Subject Customs attendance outside normal hours
("trade facilitation") - Annex No 5.

Cost Not known

Remarks I suggest that the examination should extend
into wider customs procedures to take in a
significant proportion of the work of the
7,500 staff engaged on exports and imports
work.

- Inland Revenue

✓ Subject Inland Revenue PAYE files - Annex No 7.

Cost 200 - 300 man years

- Inland Revenue

Subject Inland Revenue repayment procedures - Annex No 8.

Cost 1300 staff units

✓ Remarks This and the PAYE scrutiny are two useful, but narrow, topics. I would hope to examine the whole administration of a tax and will pursue this with the Inland Revenue.

Minister for the Civil Service

Subject CSD delegations to departments - Annex No 11.

Cost Not known, believed substantial

✓ Remarks This scrutiny could provide lessons applicable more widely. The Minister is also considering a scrutiny of the actuarial services provided by the Government Actuary's Department.

Secretary of State for Employment's Departments

- Manpower Services Commission

Subject MSC re-settlement work for the disabled - Annex 13.

Cost £14.3m

Remarks Sensitive in the International Year of the Disabled; but important to get good value when disabled people are facing great difficulty. The Lord President thinks that

Could we
delay this?
It will be
mid-up needed
mt

the MSC should be able to undertake a second scrutiny this year and, if you agree, I will register this point with the Secretary of State.

- Health and Safety Executive

✓ Subject HSE certification of products - Annex No 14.
Cost £2m
Remarks Certification policy has implications for exports.

Secretary of State for the Environment

- Department of the Environment

✓ Subject Control of administrative costs in DOE - Annex No 15.
Cost £44m
Remarks Follows on MINIS. I welcome it but have already indicated to Mr Heseltine that, as it is a "systems" exercise, I consider a second scrutiny of a function is also called for.

- Property Services Agency

Subject PSA custody service - Annex No 16.
Cost £6.2m

I said there a higher scrutiny?

Secretary of State for Social Services

✓ Subject Final relevant year provision for State Pensions - Annex No 20.
Cost 150 man years

Secretary of State for Social Services

Subject Handling of casework in headquarters -
Annex No 21.

Cost £7m

Remarks So far there has not been a large scrutiny on health matters. I am pursuing this with the departments, as also the question of a possible scrutiny in the Office of Population Censuses & Surveys. The Lord President is strongly of the view that as 94,000 of the DHSS's 98,000 staff are on its social security side, another "Johnston" type scrutiny should be sought there. His candidate (which would cover over 12,000 staff) is the administrative efficiency of retirement pensions (the subject of an imminent internal review) which he would like expanded to cover:

- Supplementary pension (1.5m pensioners) and
- Possible administrative links between occupational and retirement pensions.

Secretary of State for Trade

Subject Handling of routine prosecutions in the provinces - Annex No 22.

Cost £370,000

Remarks I am content to accept this. The Department is carrying out numerous other studies. It would like me to associate myself informally with one of those, to which it attaches great importance, namely the organisation of its personnel and finance work, ie although conducted on scrutiny lines

this would not appear in the formal list of scrutinies. I agree that this is an important subject and, given the other work in progress, I am content to accept an informal association with it, provided you and the Secretary of State agree.

Minister for the Arts

✓
Subject V & A and Science Museums - Annex No 25.

Cost £15m+

Secretary of State for Transport

Subject Winter maintenance of trunk roads and motorways - Annex No 27.

✓
Cost £4.9m

Paymaster General

Subject Declarations of entitlement for public service pensioners - Annex No 29.

Cost £70,000

✓
Remarks Mr Pym suggests it may not be appropriate for the smaller departments to have a scrutiny each year. I have some sympathy with this view but feel it is still right to accept the suggested topic for this year.

6. If you are content, my office will give the necessary clearance for the proposals listed above.

*Am worse it don't
the M.S.C. 'disallowed'
Scrutiny this year.*

PROPOSALS WHICH ARE NOT ACCEPTABLE

7. Given the criteria in paragraph 2 above, I find the following proposals of doubtful acceptability. The Lord President agrees.

Foreign Secretary

<u>Subject</u>	Transmission of papers - Annex No 2.
<u>Cost</u>	£1.4m
<u>Remarks</u>	I would expect this type of subject to be covered in the normal management processes of the Department. I am writing to the Department asking for a different subject.

Chancellor of the Exchequer's Departments

<u>Subject</u>	Typing and <u>secretarial services in HM Treasury</u> - Annex No 3.
<u>Cost</u>	£1m
<u>Remarks</u>	Typing will be covered in a CSD study this year, which could be extended to include secretarial services. I myself should prefer something like the way in which the Treasury assesses the quality of financial control systems in departments.

- Department for National Savings

<u>Subject</u>	Post Office errors affecting National Savings - Annex No 6.
<u>Cost</u>	£0.7m
<u>Remarks</u>	I have already told the Chancellor that having had two small subjects earlier, I was looking for something larger. The Lord President and I are in correspondence with him about this and related matters.

- Inland Revenue

Subject Valuation Office assistance to Property Services Agency (Valuation of civil estate); computerisation of rating and valuation data - Annex Nos 9 and 10.

Cost £140,000 and £850,000+ respectively

Remarks Interesting but minor and capable of handling through the normal processes of management. The Lord President and I think that a better subject can be found in the administration of a particular tax (eg Schedule D - self-employed - which employs about 12,000 people). In the Valuation Office a better topic would be how rating assessments are made.

Secretary of State for Employment

Subject Management information system for Unemployment Benefit Service - Annex No 12.

Cost Not known

Remarks Interesting - follows on from 1980 Johnston exercise - but is for normal management. I have written to the Department asking for a different subject.

Secretary of State for Wales

Subject Levels of field inspections for livestock allowances and premia - Annex No 18.

Cost £170,000

Remarks Also for the normal processes of management. I have written to the Welsh Office asking for a bigger subject, eg the expansion of this one to cover the whole of ADAS in Wales.

Secretary of State for Energy

Subject Departmental Registries - Annex No 23.

Cost Not stated

Remarks The Treasury "Rayner project" in 1979 was on registry services which was acceptable for the first round. This is not. I have written to the Department asking for the examination of part of its organisation or (preferably) of its "sponsor" relationship with one or more of its Nationalised Industries.

Secretary of State for Transport

Subject Organisation of Traffic Area Offices - Annex No 26.

Cost Said not to be 'material'.

Remarks Also for the normal processes of management. Moreover, I understand that DTp and CSD are already reviewing the efficiency of the TAOs as part of the read-across from earlier projects/scrutinies. I have suggested to the Department instead either the productivity of Driver Testing Centres or the administration of Transport Supplementary Grant and the Associated Transport Policy Plans.

Rec. 2

8. I recommend that you should withhold your approval from these proposals and authorise me to seek stronger candidates.

MINISTERS WHO HAVE NOT REPLIED

9. The following Ministers have not yet replied to Mr Whitmore's letter. I will offer advice separately when they have.

Secretary of State for Industry

Following representations made to Lord Trenchard and me by HM Ambassador to Japan, at least one subject is likely to be the promotion of foreign investment in the UK (which involves a multiplicity of agencies).

Secretary of State for Defence

I think that the Minister's proposals will include:

<u>Defence Sales:</u>	Already agreed
<u>Financial Management:</u>	Very acceptable
<u>Organisation of telecommunications:</u>) } Acceptable
<u>Group Passenger Travel (HM Forces):</u>	
<u>Apprentice training:</u>	
<u>Information dissemination:</u>	
	Will probably be suggested for "association" with programme.

I have had several informal exchanges with senior officials. Depending on what the Minister says, it may be necessary to press for extra subjects (eg a discrete organisation or a tri-service subject like pay) BUT the subjects set out above compare well with those of many other Ministers. The Lord President's view is as follows:

"The possible Defence scrutinies, though interesting, will not contribute seriously to meeting that Department's manpower targets. They must be pressed and pressed hard, given the meagre manpower returns from their previous projects and scrutinies, to tackle manpower-intensive areas. There are about 66,000 civilians in command and support services. A good single service subject might be

to take one of the service commands and scrutinies the administrative support. One might also take the Directorate General of Ships (2,000 staff) in Bath, though I don't think this would be large enough by itself. Previous scrutinies have given an insight into the difficulties of getting action on subjects which involve all three services. A single service subject should give some insight into the vertical efficiency of the services and might get quicker results. I recognise that if two such subjects are added the MOD will have a programme of 7 or 8 scrutinies. But we should not forget that Defence accounts for about a third of Civil Service manpower. A contribution on this scale would not be out of proportion to the resources they deploy therefor nor should it impose an unacceptable burden on management".

The Minister of Agriculture, Fisheries and Food

The proposed scrutiny of brucellosis testing has been withdrawn. I understand that a revised proposal (Fisheries Research) is on its way. (This is also relevant to the Service-wide review of R & D supporting services).

POSSIBLE EXCEPTIONS

10. The Lord Chancellor has not made any proposal for this year because his Department is undergoing a management review which, in examining large parts of the courts administration, will effectively be doing a scrutiny (unlike earlier management reviews). He is also to undertake a review of the Bailiff Service and is considering the future of the Public Trustee. However, it might be possible to find a suitable subject for scrutiny, perhaps in one of the Lord Chancellor's secondary departments. The

Rec. 3

administration of Legal Aid is one potential candidate; another might be found in the Land Registry (5,850 staff, £39.5m); I do not see either the Public Records Office (430 staff, £4.5m) or the Public Trustee (330 staff, funded by fees) as obvious candidates. I recommend that you authorise me to pursue this on your behalf.

MY ASSOCIATION WITH THE PROGRAMME

11. All examining officers will be able to look to my staff for help and counsel. I shall agree the terms of reference and the study plans for all scrutinies and provide all examining officers with detailed notes of guidance for their work.

12. I shall be able to advise you on the full range of scrutinies in which you might wish me to take a particular interest on your behalf when there is a list of agreed topics, but of those noted above for approval now I see the following as in that category:

- ✓ Forensic Science Service (Home Office)
- ✓ Delegated authority (CSD)
- ✓ VAT registration (Customs and Excise)
- ✓ Repayment procedures (Inland Revenue)
- ✓ Control of administrative costs (DOE)
- ✓ Casework at HQ (DHSS)
- ✓ Museums (DES)

13. You have already indicated that I should take a particular interest in the following subjects:

- ✓ Defence Sales (MOD)
- ✓ Inspectorate of Schools (England, Scotland and Wales)



SUMMARY

14. I should be grateful for your agreement to:

- Rec. 1
(para. 5)
- Rec. 2
(para. 8)
- Rec. 3
(para. 10)

- acceptable scrutinies; *- See p. 4. (initialled) otherwise agreed*
- the action I propose on scrutinies which are of doubtful acceptability; and *Agreed*
- the action I propose with regard to the Lord Chancellor. *leave him alone this year, not.*

15. I am copying this to the Lord President, Sir Ian Bancroft and Sir Robert Armstrong.

CONFIDENTIAL

Derek Rayner

 DEREK RAYNER

30 January 1981

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STARTING AND FINISHING DATES	NAMES OF PROJECT OFFICERS
Home Secretary	1. <u>The Forensic Science service</u>	Lord Belstead	Increasing workload and manpower constraints have put heavy pressure on the service	£15m 600 staff	1 April (or later start) Up to 6 months	N/K
Lord Chancellor	No proposal owing to current management review					
Foreign Secretary	2. The transmission of paper	Mr Douglas Hurd MP	Large volumes of paper are moved using labour intensive procedures	£1.4m in wages and salaries	3 - 4 months start not specified	N/K
Chancellor of the Exchequer HM Treasury	3. <u>Typing and Secretarial Services</u>	N/K	Complements registry and clerical services study. Present service not satisfactory	£1m 167 staff	April-August 1981	N/K
HM Customs & Excise	4. Procedures for dealing with and amending VAT registrations <u>extend to de-registrations</u>	Lord Cockfield	VAT is a major functional potential for big savings	£5m 500 staff	2 March - middle/end July 1981	Mr D Tweddle (Principal)

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STARTING AND FINISHING DATES	NAMES OF PROJECT OFFICERS
	5. Provision of and charges for <u>Customs attendance</u> outside normal working hours	Lord Cockfield	Costly in manpower and shift payments	To be identified	2 March - mid/end July 1981	Mr P E St. Quinton (Principal)
Department of National Savings	6. Investigation of Post Office <u>errors in recording deposits and withdrawals</u>	Lord Cockfield	Cost of correction may be disproportionate to size of errors	£0.7m	1 March - 1 June 1981	N/K
Inland Revenue	7. <u>PAYE files</u> and <u>contents</u>	Lord Cockfield	May be nothing of permanent value on many files. Big savings if these were eliminated	200 - 300 man years	Sept. - Nov. 1981	N/K
	8. <u>Repayment procedures</u> in claims and PAYE sections of tax divisions	Lord Cockfield	Scope for relaxing scrutiny procedures and making methods less formal	1300 staff units	April - June 1981	N/K

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	START AND FINISHING DATES	PROJECT OFFICERS
	<p>9. Scope for Valuation Office <u>assisting with PSA's valuation of civil estate</u></p>	<p>Lord Cockfield</p>	<p>Find out whether VO could provide data about Govt. property; what benefits would be; what staff resources should be involved.</p>	<p>14 staff units £140,000</p>	<p>Could start early this year</p>	<p>N/K</p>
<p>Secretary of State for Industry</p>	<p>10. <u>Computerisation of rating and valuation</u></p>	<p>Lord Cockfield</p>	<p>Data on transactions, rating cases and valuations are handled manually. Computerisation could achieve savings and more efficient working methods</p>	<p>In Excess of £0.85m</p>	<p>Feb-May 1981</p>	<p>N/K</p>
	<p>No proposals as yet</p>					

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	START AND FINISHING DATES	NAMES OF PROJECT OFFICERS
Secretary of State for Defence	Proposals expected shortly. Should include a defence sales <u>scrutiny</u> as suggested by the Prime Minister. Sir Derek Rayner is also to be associated at the Prime Minister's request with a study of <u>financial control</u>	Mr Barney Heyhoe MP	The need to consider costs as well as effectiveness. Possible wider lessons.	Not known but thought substantial	3 months starting not later than April 1981	N/K
Minister for the Civil Service	11. <u>The delegation of authority to other depts.</u>	N/K	Johnston team did not cover. May provide scope for efficient procedures	UBS administration costs of £115m	June 1981 for 3 months	N/K
Secretary of State for Employment	12. Development of <u>management information system in Unemployment Benefit Service</u>					

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STATE AND FINISHING DATES	NAMES OF PROJECT OFFICERS
Manpower Services Commission	13. Organisation and methods of <u>resettlement work for the disabled</u>	N/K	Staff intensive; needs should be met as efficiently as possible	£14.3m 870 full time staff; 85 part-time	1 April- 1 Aug. 1981	N/K
Health and Safety Executive	14. Approval testing and certification of products under the 1974 Health and Safety at Work Act	Chairman of HSE	New schemes coming from EEC, need to see how work should be organised	£2m	Jan. 1981 for 3-4 months	Dr Cohen
Minister of Agriculture Fisheries & Food	The brucellosis testing has been withdrawn. A revised proposal is expected shortly					
Secretary of State for Environment DOE	15. Control of <u>administrative costs in DOE central and</u> <u>scope for local cost centres</u>		Survey of running costs revealed need for tighter grip on central staff costs	£44m plus £38m from other departments	Jan-April 1981	Mr G J P Joubert (Econ. Adviser)

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STATE AND FINISHING DATES	NAMES OF PROJECT OFFICERS
PSA	16. <u>Custody service provided to depts. having no capability of their own</u>	Mr Finsberg MP	Demand. led. ESA do not control numbers	£6.13m 830 posts	Jan. 1981 for 3 months	N/K
Scottish Office	17. Role, organisation, staffing and effectiveness of <u>HM Inspectorate of Schools in Scotland</u>	Mr Alex Fletcher MP		£3.25m	Jan-May 1981	Mr P C Rendle
Forestry Commission	No proposal					
Secretary of State for Wales	18. Study levels of <u>field inspections for livestock allowances and payments</u>	N/K	Rates of inspection for different grants vary. Need to determine minimum levels	£172,000	N/K	N/K
Secretary of State for Northern Ireland	19. Organisation systems and deployment of resources in the <u>NI Employment Service</u>	Michael Alison MP	To ensure NIES is providing value for money	£5.65m 630 staff	Nov. 1980-April 1981	Mr D W Alexander (Principal)

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STATE AND FINISHING DATES	NAMES OF PROJECT OFFICERS
Secretary of State for Social Services	20. Administrative implications of 'final relevant year' <u>provision for pensions</u>	Mrs Lynda Chalker MP	Need to make enquiries and awards is frustrating to DHSS and employer	150 man years and cost to employers	N/K	N/K
	21. Handling of Case-work in DHSS Headquarters	Sir George Young MP	Despite recent initiatives the heavy load might be handled better. Possible wider implications	375 staff and £7m approx.	likely April start	N/K
Secretary of State for Trade	22. Handling of routine prosecutions by the Solicitors Dept.	Mr Eyre MP (Parly. Sec.)	May be more efficient to use private sector solicitors in the provinces. Possible wider relevance	£370,000 pa	April-July 1981	A Principal + legal adviser
Secretary of State for Energy	23. Registries	N/K	Need to establish how to do when resources are limited	Not stated	N/K	N/K

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STATE AND FINISHING DATES	NAMES OF PROJECT OFFICERS
Secretary of State for Education and Science	24. Role, organising and effectiveness of <u>HM Inspectorate of Schools in England and Wales</u>	Baroness Young	The Inspectorate accounts for a large proportion of DES's manpower and expenditure. Included at your request.	£13.5	Jan-May 1981 (May take rather more than 90 days).	Mr N W Stuart (Under Sec.)
Secretary of State for Transport	25. Review of activities of V & A and <u>Science Museums</u>	Mr Paul Charmon	Staffed by civil servants. Activities curtailed by manpower cuts. Need to review staffing methods and effectiveness	£15m + expenditure on buildings	Start early 1981. 6 months	Mrs Sheila Evans (Principal)
Secretary of State for Transport	26. Organisation of <u>Traffic Area Offices</u>	Sec. of State	Follows naturally from scrutiny of regional organisation	Said to be "not material"	1 Mar. 1981 for 90 working days	Miss Head (Ass. Sec.)

MINISTER	PROJECT	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STATE AND FINISHING DATES	NAMES OF PROJECT OFFICERS
	27. Wider <u>mainte-</u> <u>nance of</u> <u>trunk roads</u> <u>and</u> <u>motorways</u>	Sec. of State	Increased spending does not appear to be matched by better results	£4 - 9m a year depending upon weather	3 months from March '81	Principal + Principal level civil engineer
	28. Road signs	N/K	N/K	N/K	N/K	N/K
Paymaster General	29. Declarations of entitlement for public service pensioners	Paymaster-General	Never fully evaluated after the law ceased to require the function	£70,000	September- November 1981	Mr O J Breeden



Ministry of Agriculture, Fisheries and Food
Whitehall Place London SW1A 2HH

Copied to LFC?

From the Minister's Private Office

✓
M/T

C A Whitmore Esq
Private Secretary
10 Downing Street
London SW1

29 January 1981

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

My Minister wrote to the Prime Minister on 8 January enclosing a proposal for the scrutiny of certain routine laboratory tests at present carried out by the Agricultural Development and Advisory Service of the Ministry. Following discussions between MAFF officials and Sir Derek Rayner's office it has been agreed that, although an examination of these tests would be worthwhile, it is capable of being (and will be) carried out internally without involving Sir Derek Rayner.

The Minister now wishes to put forward for inclusion in the 1981 scrutiny programme a new proposal for a scrutiny of the work of the Ministry's Directorate of Fisheries Research and of the Torry Research Station. Details are enclosed.

I am sending copies of this letter and enclosure to Clive Priestley in Sir Derek Rayner's office and to the Private Secretaries to the Secretaries of State for Wales, Scotland and Northern Ireland.

Yours sincerely
Kate Timms.

KATE TIMMS
Principal Private Secretary

a. Subject

The work of the Directorate of Fisheries Research and of the Torry Research Station.

b. Costs (1980/81 financial year)

Staff costs £5.4 million (650 man-years)

Other costs £6.1 million

c. Reasons for selecting this subject

Prima facie the effort devoted to fisheries research is high in relation to the industry's contribution to GDP. However, much of the work is concerned with subjects of wider national importance not directly related to the industry's needs (eg marine pollution and the authorisation of discharges and sea dumping of radioactive material) and with support for the Minister in fisheries negotiations and in meeting his statutory obligations. The Torry Research Station is a separate entity primarily concerned with the handling and processing of fish after it has been caught. It could be argued, on the one hand, that such work may be more appropriate for the fish processing industry than for a Government Department. On the other hand, a large proportion of the work at the Station directly benefits the highly fragmented catching industry in relation both to the handling of fish and to the development of market potential

d. Terms of reference

To examine, with reference to objectives, cost, efficiency and effectiveness the extent of the work now carried out by the Directorate of Fisheries Research and the Torry Research Station

and its relation to the work undertaken by other Fisheries Departments; to consider the effectiveness of the new customer arrangements for commissioning fisheries research; and to make recommendations.

e. Proposed starting and finishing dates

Start: 7 September 1981

Finish: 22 January 1982

f. Examining officer and reporting arrangements

Examining officers - a Senior Principal Scientific Officer and a Principal (to be selected).

Reporting arrangements - to the Minister of Agriculture, Fisheries and Food, in consultation with the Permanent Secretary MAFF and Sir Derek Rayner's unit. The report will be of interest to the other Fisheries Ministers in the United Kingdom, particularly the Secretary of State for Scotland.

~~B/F 17.287~~



Govt Mach

10 DOWNING STREET

~~Mike~~ Rayner already
has MA.

Set up for
Wed: 18 Feb at
16.45. Will you
be circulating
anything?

EJ.

281,



✓ MAP to
see

With the Private Secretary's Compliments

*This replaces Peter Shaw's
letter of 21 January to
Ave Whitmore*

DEPARTMENT OF EDUCATION AND SCIENCE

Elizabeth House
York Road
London SE1 7PH

Telephone 01-928 9222



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

FROM THE SECRETARY OF STATE

Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
London SW1

26 January 1981

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

I am writing in reply to your letter of 1 December inviting proposals for the 1981 scrutiny programme. As you mentioned in that letter, the DES scrutiny of HM Inspectorate in England and Wales has already been agreed with the Prime Minister, but you may find it convenient to have the information needed in the form suggested in your letter.

- a. **SUBJECT.** Her Majesty's Inspectorate in England and Wales.
- b. **COSTS.** The 1980/81 estimated out-turn for HMI in England, together with their support staff, was:-

	£000
Wages and salaries	10,262
Travelling, subsistence etc	1,444
Accommodation	1,369
Office services	448
Other services	58
	<hr/>
	13,581
	<hr/>

The total wage and salary cost for HMI in Wales, together with their support staff, is estimated at about £1m; there is no separate allocation of costs for the other services.

- c. **REASONS FOR SELECTING THE SUBJECT.** The Inspectorate account for a substantial proportion of the manpower and expenditure of the Department.
- d. **TERMS OF REFERENCE.** To consider and report on the role, organisation, staffing and effectiveness of HM Inspectorate of Schools in England and Wales, including the main priorities of work to be undertaken, and arrangements for collaboration between the Inspectorate and the rest of the Department of Education

and Science and the Welsh Office, taking account in particular of the following:

- i. the responsibilities and policies of the Secretaries of State;
 - ii. the present and prospective needs of all components of the education service;
 - iii. the role of local education authorities and their staffs and of other educational agencies;
 - iv. government statements of policy relating to the quality of education and to the Inspectorate; and
 - v. the Government's plans to reduce public expenditure and Civil Service manpower.
- e. **TIMING.** The scrutiny will begin early in the New Year and may take somewhat longer than 90 days.
- f. **NAMES.** The scrutiny will be conducted by Mr N W Stuart, an Under-Secretary in the DES, under the supervision of the Minister of State, Baroness Young.

There is also the proposal for a scrutiny of the Victoria and Albert and Science Museums which was made by Mr St John Stevas while he was still Chancellor of the Duchy of Lancaster. Mr Channon supports this proposal for the 1981 programme.

I am copying this letter to Sir Derek Rayner and to the Private Secretary to the Secretary of State for Wales.

Yours sincerely

Peter Shaw

P A SHAW
Private Secretary

FILE

VLB

Good Mad

MR. ALLEN
SIR DEREK RAYNER'S OFFICE

I have written separately, recording the Prime Minister's wish to hold a meeting to discuss Sir Derek Rayner's submission about repayment for PSA services.

The Prime Minister is disposed to agree to establish a development group to take the proposals forward, and to circulate the proposals to colleagues prior to a discussion in Cabinet. She will not, however, confirm these decisions in advance of the discussion.

M A PATTISON

26 January 1981

5

FILE

VLB

cc HMT
CSD
DOE
CO

26 January 1981

M. 2. R
BF for mtg

The Prime Minister was grateful for Sir Derek Rayner's submission of 23 January, about repayment for PSA services.

in folder attached to file

As he suggested, she would like to discuss his recommendations with the Ministers concerned. Caroline Stephens will be in touch with the offices of those to whom I am copying this letter to arrange a meeting.

Copies go to Peter Jenkins (HM Treasury), Jim Buckley (CSD), David Edmonds (Department of the Environment) and David Wright (Cabinet Office).

M A PATTISON

Clive Priestley, Esq.,
Cabinet Office.

VS

PRIME MINISTER

REPAYMENT FOR PSA SERVICES

1. You asked me to make proposals on repayment for PSA services, in consultation with the Secretary of State for the Environment and others, for consideration by Ministers. I am sorry that the necessary consultations delayed my reporting to you sooner.

2. This introductory minute is intended to focus on the main issues and to report on my consultations. My proposals are described in more detail in the attached self-contained minute covering the report of a small group of officials who helped me in my work.

3. Very briefly what I propose is:
 - a. The United Kingdom Civil Estate to be on repayment, but on a simpler, less bureaucratic basis than applies to existing repayment clients.

 - b. All Departments to pay PSA Supplies direct for furniture, transport etc; also to pay PSA for fuel and utilities.

 - c. Existing arrangements with regard to the MOD Estate and FCO Diplomatic Estate overseas broadly to stand. But they should be thoroughly reviewed to identify ways of improving MOD and FCO awareness of the value of the assets they are using.

4. The Chancellor of the Exchequer and the Lord President of the Council support my proposals.

5. I had a useful discussion with a group of Permanent Secretaries in November. The Permanent Secretaries of some of the larger Departments argued that, if they are to bear the costs of accommodation, they should be given greater freedom and responsibility and a say on the allocation of the money available for accommodation purposes. I am very sympathetic to these views.

6. The Secretary of State for the Environment supports the objective to ensure that Departments are alive to the cost of accommodation services they require. Whilst accepting repayment for PSA supplies he questions its need in respect of the United Kingdom Civil Estate. He is concerned at the staff cost of operating the repayment system on that estate (estimated by PSA at 45 staff, £573,000 pa) as against the unquantifiable benefits at a time when there is already in his view a greater cost consciousness generally in Departments. He has suggested instead that the new costing system proposed by the group should be used as the basis for an improved method of "attribution" in Estimates (ie a more refined supporting statement) which the Secretary of State is advised the PSA could operate without substantial additional staff. He suggests that this should be just as effective in encouraging cost-consciousness in Departments without the added complexity of repayment and Vote accounting. He has also suggested the further option of proceeding in two stages - improved attribution first, and a move to repayment later, if that proves to be a necessary reinforcement, when the new costing system is well established.

7. I myself am convinced that a pre-requisite to effective management is that Departments should pay for everything they consume. It is good business practice that costs should fall where they arise and where they can be most easily controlled. There is a world of difference in management terms between knowing what it costs somebody else to provide you with goods and services and having to find the money for these from your own budget. There is no satisfactory half-way house

in my view. Attribution, for example, would still leave PSA picking up the Departments' bills and would be little more than a public statement of what Departments are already being told in the annual scrutiny of running costs. For similar reasons I see little point in the two stage approach of attribution first, repayment later.

8. In the face of the civil service manpower policy the repayment system proposed has been designed to keep the operating costs to the absolute minimum. Even so, in the present climate, I can understand the concern of the Secretary of State as Minister with responsibility for PSA. But as I have said in other papers, it is sometimes necessary to spend money in order to save it. I would regard any extra cost of operating the repayment system as an investment to achieve savings of manpower and money through a sharpening of responsibilities and more effective management.

9. I accordingly recommend acceptance of the repayment system proposed as providing a sound, practicable and unbureaucratic basis for promoting in Departments a greater awareness of and changed attitudes towards the cost of accommodation and related services. The proposals are capable of refinement and development to take into account the points put to me by Permanent Secretaries and others - and I recommend establishing a Development Group for this purpose - but I believe it is important first to get the proposals accepted by Ministers and on the road towards implementation.

Recommendation

10. I invite you to agree that my proposals should be brought forward for Ministerial consideration and that this should be done by circulating the attached minute and accompanying report to all Ministers in charge of Departments. You might think that the most effective way of dealing with the proposals would be at a meeting of Cabinet. If so, I should be glad to make myself available to explain the proposals and to answer questions if you thought that might be helpful.

Miss
11. You might as a first step wish to discuss this with
the three Ministers so far concerned and me. I am therefore
copying this to the Chancellor of the Exchequer, the Lord
President of the Council, the Secretary of State for the
Environment and Sir Robert Armstrong.


DEREK RAYNER

23 January 1981

PRIME MINISTER

REPAYMENT FOR PSA SERVICES


1. You asked me to report on the possibility of providing PSA's services on repayment terms.

Report by officials

2. I have been greatly helped by a small group of officials chaired by Mr Peter Kemp (Under Secretary, Treasury) and including representatives of the Property Services Agency, the Civil Service Department, the Rating of Government Property Department and my office. I attach their report to me which I think is excellent.

3. The group's advice is this:

- a. Office, storage and specialised accommodation (the "United Kingdom Civil Estate") should henceforth be provided by PSA on "repayment" terms, but on a simpler, less bureaucratic basis than applies to existing repayment clients.
- b. All Departments (except the Foreign and Commonwealth Office, in respect of the Diplomatic Estate overseas) should pay PSA Supplies direct for furniture, transport, furnishing etc; they should also be charged for fuel and utilities.
- c. Existing arrangements with regard to the Ministry of Defence Estate and the Diplomatic Estate overseas should broadly stand for the present. (The cash outgoings are already borne on the two Departments' PES). But ways of keeping the Ministry of Defence and Foreign and Commonwealth Office aware of the value of the assets they are using should be devised.



4. I disagree with officials on one point only - their proposal to exempt the Foreign and Commonwealth Office's Diplomatic Estate overseas from paying direct for the goods and services provided by PSA Supplies. I cannot readily envisage the "administrative complications" which caused them to make this exemption and incline to recommend that they be put on the same footing as everyone else. However, further insight should be provided by a recently commissioned joint FCO/PSA review of the FCO Diplomatic Estate overseas, due to report at the end of January. I advise Ministers await that report before moving to a final decision.


Recn 1

5. Subject to that point I recommend acceptance of the Group's proposals as a sound and practicable basis for action soon in promoting efficiency and economy in the use of accommodation.

The need for repayment on the office, storage and specialised estates

6. My philosophy is simple: the provision of goods and services free on demand discourages efficiency and economy in their use. This is the fundamental weakness of the "allied service" system of providing accommodation and associated services in Government, even when supported by the annual scrutiny of departmental running costs.

7. The present arrangements on the United Kingdom Civil Estate are that Departments define their accommodation and related requirements year by year and PSA pick up the bill. (In 1979/80 this amounted to £427 million and the Rating of Government Property Department also incurred expenditure on behalf of Departments of £173 million). Departments are thus generally free from the practical necessity to consider the cost of accommodation as part of the price of their own administration and to define need with an eye to cost. PSA on the other hand are subject to budgetary pressures and constraints. This gives neither party complete satisfaction in the efforts to balance needs and availability.



8. Of course, the simple act of paying for something will not of itself ensure efficiency and effectiveness in the use of resources. But it is an essential ingredient to sound management with the rest being provided by managers questioning costs against a firmly controlled budget. That act of management is most effectively done at the point where the costs are determined, trade-offs can be made against other administrative expenditure and control can most easily be exercised ie in the Departments. There is no incentive for such management if, as under present arrangements, the costs are borne outside the Departments in PSA.

9. I therefore readily endorse, and commend to Ministers, the group's proposal (paragraphs 4.1 and 4.2) that for office and storage accommodation Departments should bear on their own PES programmes and Votes the cost of rent (current market equivalent by rental zone levied on owned and rented property alike), rates, maintenance and minor works and, in the case of the specialised accommodation (eg courts, laboratories), should in addition to paying the ongoing costs bid in PES for major new capital works.* Departments would also bear the cost of fuel and utilities (para 4.8).

10. Similarly, I endorse the proposal (paragraph 4.7) that Departments should pay PSA Supplies direct for furniture, transport etc. PSA Supplies are already a Trading Fund but at present sell their services to the rest of PSA for distribution to departments occupying the Civil Estate free on allied service terms. I can see no advantage in retaining the role of PSA as a middle man to set against the advantages of a change to direct trading, which are as for charging for accommodation generally. Moreover the services of PSA Supplies are similar in nature to those of HMSO, which went onto repayment in April 1980.

*The cost of major new works on the "common user" office and storage estate would continue to be borne on PSA's Vote and PES, but this is under review at the moment.




11. There is, to my mind, no effective intermediary step between the present "allied service" system and "repayment" (though, as I will argue below, my proposals are capable of refinement).

12. The group rejected - and I agree - the less radical alternative to present arrangements of "attributing" costs to user Departments' Votes ie as a supporting statement in Estimates (paragraph 3.8). To display publicly information along the lines of that recently made available to Departments in the annual scrutiny of running costs - which is what "attribution" means - would be of limited benefit in securing greater efficiency in the use of accommodation. Departments would still be in the position of defining and defending their needs in the absence of a budget, with the onus of questioning costs and accommodation usage continuing to reside in the PSA, one step removed from where they occur. Yet attribution would involve PSA in some extra staff costs to put together the management information and to respond to Departmental questioning of their accommodation needs. In my view these costs are better absorbed into a system of repayment to sharpen more greatly Departments sense of responsibility for the resources in their charge. For there is a world of difference in the incentive to sound management between knowing what it costs somebody else to provide you with goods and bearing it yourself.

The mechanics of the repayment system proposed and its cost


13. The mechanics of the repayment system proposed have been designed to keep the costs of operating the system to a minimum whilst meeting the objective of greater cost consciousness through making Departments pay for what they consume. In particular the calculation of the accommodation charge levied by PSA (covering rent, rates, maintenance and minor new works) will avoid a detailed building-by-building, job-by-job analysis.



For example, on the office and storage estates, the rent per square foot will be an average current market rental by geographical zone (of which there will at first be 12) taking into account the mix of properties in each zone, rather than being specific to each property. With regard to maintenance and minor new works Departments will not be billed for each job carried out on their properties. Instead, the total PSA maintenance and minor new works bill for each estate will be allocated to Departments according to the square footage occupied.

14. To do otherwise for the 8000 plus holdings on the United Kingdom Civil Estate would be cumbersome and expensive in PSA and Departmental staff effort, as has been experienced with existing repayment clients. I have tried to tread a middle course, bearing in mind Civil Service manpower policy. The group estimate that to operate the proposed repayment system would require 45 staff (£573,000) in PSA and 15 staff (110,000) in PSA Supplies, though it is expected that some of these costs would be absorbed within existing allocations. The costs to Departments are thought to be marginal.

15. I cannot second-guess these estimates from here. It will be for the Secretary of State for the Environment and PSA management to satisfy themselves that the staff costs are kept to the necessary minimum and where possible absorbed. I would expect some off-setting staff savings through, for example, the effect of Departments approaching PSA to tell them of available unoccupied space rather than, as under present arrangements, PSA having actively to investigate Departments' accommodation use and to persuade them to adjust their requirements. Also as repayment causes accommodation to be reduced PSA will save the staff effort currently directed at running and maintaining that accommodation. And if the system proves successful there could be read-across to existing repayment clients to cause less staff effort to be involved there.




16. But any system of accountability requires staff effort. It is the price to be paid for effective budget control - the sprat to catch the mackerel. I believe the extra staff would represent an investment to achieve more effective control over the substantial cash outgoings on accommodation of £427 million by PSA and £173 million by the Rating of Government Property Department in 1979/80. And even these large sums do not mirror the true costs to Government since they make no allowance for current market rents or for the value of assets tied up in Crown-owned property (about half of the Civil Estate).

The distribution of responsibilities

17. What the proposals mean in practice is that Departments will be able to influence their accommodation costs by varying the space occupied and the geographical location. Moving buildings within a rental area will not directly affect the costs borne by Departments. Nor will varying the quality of accommodation occupied. But I believe adjustments in the amount of space occupied to be a priority and an area where there is likely to be the greatest scope for savings in the first instance. Providing an incentive to reduce space will become all the more important as the size of the civil service reduces.

18. PSA will retain their responsibility for central estate management, and therefore for matching clients' precise requirements with available space, and for maintenance on the estate. Thus Departments will have no more freedom of choice than now on the precise accommodation occupied, and they will remain tied to PSA. I would however expect a better informed business relationship as Departments begin to question for themselves the costs of their accommodation and approach PSA for advice on how these costs can be reduced and their accommodation requirements more efficiently and effectively satisfied.



19. PSA will also retain control over the provision of major new works on the office and storage estates, the expenditure being borne on PSA's PES and Vote. The satisfaction of these Departmental requirements will thus continue to be dependent on the amount of money available to PSA for these purposes, decisions on which will remain with the Secretary of State for the Environment. There will however be greater freedom for departments in respect of small maintenance and minor works jobs as they will be able to order the work for themselves from contractors and pay cash for it from their own budgets.

Too blunt an instrument?

20. The repayment system as proposed is capable of refinement. The group recognise this in their report (section 9). I myself lay particular emphasis on the need to refine the rental zones to cover a smaller geographical area and so more accurately reflect market conditions, (especially in London). I also have much sympathy with the argument that if Departments are to bear the costs they should have a greater say in determining priorities and influencing the amount of money available for accommodation purposes. Ways need to be found, for example, to ensure that departmental demands for the rearrangement of accommodation, aimed at reducing the overall cost of administration, are not frustrated by a shortage of PSA money. I am particularly keen to see Departments, rather than PSA, bid in PES for expenditure on major works. And the small maintenance and minor works jobs, for which departments will have greater responsibility, should be as broadly defined as possible whilst respecting PSA's estate management responsibilities.

21. I believe that all this should be registered for consideration and development if Ministers decide to adopt the repayment proposals and once they are on the road towards implementation - a big enough step and task in itself. There is time before the system is fully operational to weave in extra refinements and the experience of the trial run in 1982/83 will enable any detailed points about the application of the

accommodation charge to be sorted out.

Taking the proposals forward

Recn. 2

22. I recommend that if Ministers accept the proposals PSA should be authorised to set up the new system for a trial run in 1982/83 with a view to going live (ie incorporation in estimates) in 1983/84. I also recommend that the group of officials which has helped me should be charged with the task of refining and building upon the repayment system proposed. They have the expertise to enable them to do so. The group would need to be expanded somewhat to include representatives of the client departments. I suggest that it should report to the Secretary of State for the Environment and me.

Recn. 3

MOD Estate and FCO Diplomatic Estate overseas

23. Officials do not propose putting the Defence and Diplomatic Estates onto repayment. There are practical problems in squeezing such large and diffuse estates into the repayment mould designed for the Civil Estate. In particular, because the properties are often highly specialised the computation of current market rents would require valuation of individual holdings. This would be a costly exercise when one considers for example that the Ministry of Defence estate covers 432,000 hectares of land at home and abroad, being a mixture of airfields, training, agricultural etc, and that the overseas estate is scattered across 132 countries.

24. These estates are already part way down the repayment road in that annual cash outgoings (£679M in 1979/80) are borne on the Departments' PES. But as the report points out, this does not create any charge in respect of owned assets and, in the case of rented accommodation, it does not reflect current market rents. The Departments thus only have a partial picture of the resources tied up in their accommodation.

Recn. 4

25. Accordingly I advise acceptance of the group's proposal that ways of keeping MOD and FCO aware of the value of the assets they are using should be devised. I recommend that a more specific study of each estate should be undertaken. These should be got on with quickly. The terms of reference and the method (including who should do the work) will have to be devised carefully. That concerning the Diplomatic Estate overseas will need to take into consideration the outcome of the joint PSA/FCO review to which I referred in para 4 above.

Conclusions

26. I recommend Ministers to accept the repayment proposals.

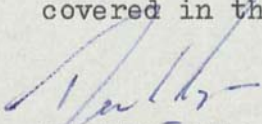
27. I also recommend that:

a. PSA should be authorised to get on with the necessary accounting arrangements with a view to a trial run in 1982/83 (which will mean being geared up and ready to go in time for Estimates - late Autumn - 1981) and going fully alive in 1983/84.

b. The group of officials that has helped me should be retained to recommend to the Secretary of State for the Environment and me ways in which the system should be further developed.

c. The Secretaries of State for Defence and Foreign and Commonwealth Affairs should be invited to set up the recommended studies of the Defence and Diplomatic Estates.

28. I shall be happy to give such advice as I can on any point covered in this Minute.


DEREK RAYNER

23 January 1981

Enc: Report of an Interdepartmental Group on Repayment for Services Provided by the Property Services Agency

PRIME MINISTER

*in folder attached
to file*

Derek Rayner now finally makes proposals on repayment for PSA services. But he and Mr. Heseltine have still not reached agreement.

At some point, you will have to have a meeting on this, including the Chancellor and the Lord President as well as the two main protagonists, but it is not desperately urgent: decisions are needed by early autumn if a new regime is to be applied in time for the 1982/83 estimates. At this stage, I suggest you read Derek Rayner's minute summarising the discussion (A). If you want to go into more detail, his longer note at B covers the full report of the officials who have been working on this.

Agree that we should set up a meeting in a couple of weeks time?

Yes.

MP

Agree proposals at end of note.

*Will discuss first with
Sir D.R. - the 3 Ministers
involved.
MT.*

23 January 1981



✓ MAF

Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

23 January 1981

C A Whitmore Esq
Principal Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

Your letter of 1 December invited Ministers to submit their proposals for the 1981 Rayner Scrutiny programme.

The Lord President proposes a study to review some aspects of CSD's delegation of authority to other departments. We have been aware for some time that the extent to which CSD requires departments in general to meet certain standards or to seek authority from CSD before taking action, may impose costs, just as in some areas it undoubtedly leads to savings. This is a very large field extending well beyond CSD's own departmental boundaries. We had not originally thought that a study of this area could usefully be fitted into the Rayner framework. However experience gained from Rayner studies generally indicates that a promising start could be made. I enclose the terms of reference for such a study.

In your letter you also suggested that Ministers might wish to propose scrutinies in any secondary departments for which they are responsible. One possible candidate is for a review of government actuarial services, by the Government Actuaries Department. Terms of reference are still being considered. We shall let you have them as soon as possible.

Yours ever,

Edward Chaplin

E G M CHAPLIN
Private Secretary

CIVIL SERVICE DEPARTMENT: RAYNER SCRUTINY 1981

a. Subject

The CSD is responsible for the settlement of management questions throughout the Civil Service. It has discretion to decide these issues itself centrally or to delegate to departments authority to settle these issues as they arise within limits defined by the CSD. Delegations of this kind are operated, for example, by the Superannuation, Manpower, and the Home and Overseas Allowances divisions of CSD and by the Central Computer and Telecommunications Agency. The study will select some three separate areas where the balance between costs to departments and savings across the Service as a whole may be expected to illuminate the operation of central delegation, both in principle and as to method.

b. Cost

The total cost arising in the areas covered by CSD delegations is unknown, but is very substantial. The extent of the marginal benefit to be derived from an alteration in delegation policy in particular instances would be one of the subjects of the study.

c. Reasons for selecting the subject

As a central department the CSD has to construct and maintain a system within which the operation of the Civil Service can be maintained on a consistent and effective base. Grading standards need to be centrally monitored; superannuation cases need to be settled with due regard to legal entitlement and equity; standards of recruitment by fair and open competition have to be upheld. In practice the great bulk of this work is not done centrally. It forms part of the task of the establishment branches of a large number of separate

departments. The CSD has to take a view as to which departments are fitted to discharge these duties under delegated authority and subject, in effect, to quality control by audit from the centre. Thus a relatively small group of large departments determines nearly all the superannuation cases arising in the Service. But for smaller departments it has been hitherto found efficient to decide superannuation cases centrally within CSD where the expertise exists to handle the complex technical issues involved.

The point at issue is whether the decision of how to delegate authority to departments has been taken with due regard to the savings and costs arising not only at the centre but also in departments. The study would be intended to review a number of specific areas within CSD's discretion to see what methods of central control will provide the best return and then to compare the individual studies in order to draw lessons of general application. It is not expected that the study will get to the bottom of the general issues; experience already suggests that these are too complex to be dealt with within the resources of a Rayner scrutiny. Nonetheless there is no doubt that a valuable start can be made.

d. Terms of reference

To select and study up to three areas within CSD where the mode of operation includes a substantial element of delegation of authority to departments to decide management issues within stated limits; to review the operation of the delegations concerned, with the intention of assessing the benefits and costs arising from their operation; and to draw lessons of general application for the CSD's operation of delegated authority.

e. Proposed timescale

Three months duration, starting date will depend on availability of a suitable examining officer, but will be not later than April 1981.

f. Examining officer and reporting arrangements

The examining officer (still to be selected) will work closely with [Sir John Herbecq (Second Permanent Secretary, Civil Service Department)] and will report to the Lord President via Mr Hayhoe (Minister of State, Civil Service Department).



✓
MAD

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

22 January 1981

The Prime Minister
10 Downing Street
LONDON
SW1

My dear Miss Hisker,

EFFICIENCY IN CENTRAL GOVERNMENT - SCRUTINY PROGRAMME 1981

I have been asked to provide a subject for scrutiny for the Paymaster General's Office (PGO) as part of the 1981 programme.

My Department at Crawley is probably the smallest that has so far taken part in a "Rayner" scrutiny. The scrutiny carried out in 1980 was successful, and led to the closure of the Department's small office in central London with consequent financial savings. However, the exercise highlighted a particular difficulty for a small Department such as the PGO in that the allocation of one Principal to carry out a scrutiny results in the diversion of a high proportion of its senior management resources (25% of the generalist Principal strength). The few Principals are all fully engaged in management posts and release for a scrutiny poses resource problems. Although the result of the 1980 study justified the investment in resources, the narrow range of functions carried out by this Department makes it unlikely that a worthwhile return could be expected each year.

If you would nevertheless like my Department to participate in the 1981 round I submit a proposal, details of which are enclosed, concerned with declarations of entitlement which are issued periodically for completion by public service pensioners. However, could I suggest that consideration be given to the special problems of small Departments in relation to the scrutiny programme with a view to their being required to participate occasionally rather than on an annual basis?

I am copying this letter to members of the Cabinet and to Sir Ian Bancroft, Sir Douglas Wass, Sir Robert Armstrong, Mr Ibbs and Sir Derek Rayner.

Jansler
Indha's

FRANCIS PYM

Enc

PAYMASTER GENERAL'S OFFICE

RAYNER SCRUTINY 1981

- (a) Subject The issue and examination of "declaration of entitlement" forms sent to every public service pensioner paid from the PGO.

Background

Declaration forms, which provide evidence of life and continuing entitlement to pension, are issued to different classes of pensioners at varying intervals, but the average periodicity is once every 5 years. The number of pensioners involved is about 1 million.

The forms must be signed by the pensioner, attested by a third party and returned to the PGO where they are "marked off" and examined. Reminders are issued where appropriate and failure to complete a declaration will result in suspension of pension payment until the PGO is satisfied that the pensioner is alive and still entitled to pension.

- (b) Cost of Function Approximately £70,000 a year, of which about £50,000 is for postage. All of this is borne on the PGO Vote.
- (c) Reasons for selecting the subject. The function has never been fully evaluated in terms of cost effectiveness. Declarations were required by law annually until about 10 years ago and the reduction to the present level of issue has occurred as a result of various cost saving exercises. The time would now seem ripe to consider whether there are grounds for discontinuing them altogether or further restricting issue. More than 600 staff of the Office

complement of 924 are involved in the function at some time during the year.

(d) Terms of reference "To examine the need for and effectiveness of periodic declarations of entitlement issued by the PGO for public service pensions and to make recommendations".

(e) Proposed starting and finishing dates

It is proposed to start the scrutiny on 1 September and to complete by 30 November.

(f) Mr O J Breeden will be the examining officer. He will report through the Assistant Paymaster General to the Paymaster General.



ELIZABETH HOUSE,
YORK ROAD,
LONDON SE1 7PH
01-928 9222

✓
MAD

FROM THE SECRETARY OF STATE

Clive Whitmore Esq
Principal Private Secretary
10 Downing Street
LONDON SW1

21 January 1981

Dear Clive

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

I am writing in reply to your letter of 1 December inviting proposals for the 1981 scrutiny programme. As you mentioned in that letter, the DES scrutiny of HM Inspectorate in England and Wales has already been agreed with the Prime Minister, but you may find it convenient to have the information needed in the form suggested in your letter.

a. SUBJECT. Her Majesty's Inspectorate in England and Wales.

b. COSTS. The 1980/81 estimated out-turn for HMI in England, together with their support staff, was:-

	£000
Wages and salaries	10,262
Travelling, subsistence etc	1,444
Accommodation	1,369
Office services	448
Other services	<u>58</u>
Total	13,581

The total wage and salary cost for HMI in Wales, together with their support staff, is estimated at about £1m; there is no separate allocation of costs for the other services.

c. REASONS FOR SELECTING THE SUBJECT. The Inspectorate account for a substantial proportion of the manpower and expenditure of the Department.

d. TERMS OF REFERENCE. To consider and report on the role, organisation, staffing and effectiveness of HM Inspectorate of Schools in England and Wales, including the main priorities of work to be undertaken, and arrangements for collaboration between the Inspectorate and the rest of the Department of Education and Science and the Welsh Office, taking account in particular of the following:

- i. the responsibilities and policies of the Secretaries of State;
- ii. the present and prospective needs of all components of the education service;
- iii. the role of local education authorities and their staffs and of other educational agencies;

- iv. government statements of policy relating to the quality of education and to the Inspectorate; and
 - v. the Government's plans to reduce public expenditure and Civil Service manpower.
- e. TIMING. The scrutiny will begin early in the New Year and may take somewhat longer than 90 days.
- f. NAMES. The scrutiny will be conducted by Mr N W Stuart, an Under Secretary in the DES, under the supervision of the Minister of State, Baroness Young.

My Secretary of State has no other proposals to make for 1981. We understand that the Chancellor of the Duchy of Lancaster is proposing a scrutiny for the OAL (of the departmental museums). This means that DES and OAL taken together may have two scrutinies in 1981 rather than the one which it was agreed they should normally undertake between them each year.

I am copying this letter to Sir Derek Rayner and to the Private Secretary to the Secretary of State for Wales.

Yours sincerely

—
P A Shaw
—

P A SHAW
Private Secretary

cc for information

✓ Mr Whitmore

Sir Derek Rayner

*CAW to see AM 21:
Mr P. seems to be making
his number inside MOD.*

THE SCRUTINY PROGRAMME 1981: MOD

MAD 21/1 -

1. I had a very long talk this morning with Sir Arthur Hockaday and Mr Bell at MOD about your letters of yesterday to Mr Nott and Sir Frank Cooper and also about our view of the report by Mr Fisher on his scrutiny of inspection and audit in MOD; the latter is the subject of other papers but is referred to briefly below.

2. I shall be making a longer record for the file but you may like to know now that I said I would advise you as follows. Neither you nor anyone else, of course, is bound by the outcome of our discussion.

a. Agreed candidates for the scrutiny programme

3. Mr Nott will be advised by MOD officials to write to the Prime Minister suggesting the following as candidates for this year:

- Defence Sales: already agreed
- MOD contribution to the R&D supporting services
- scrutiny: already agreed
- Telecommunications) from Sir Frank Cooper's
- Apprentice Training) letter to you of
- Group Passenger Travel*) 9 January
- Financial Management: from your letter to Sir Frank Cooper of yesterday

* The main point which convinced me that we should sign this up was that Sir A Hockaday felt that he had established a "bridgehead" by securing the agreement of the Principal Administrative Officers to the exercise being carried out under the "Rayner label" by a "Rayner-type Principal" rather than being done, as it otherwise would,

under the auspices of the Defence Movements Co-ordinating Committee. This secured, in his view, that the exercise would be carried out by someone "we can rely on"; the issues would be properly exposed; and "inter-Service sensitivities" would not be allowed to pre-judge the outcome.

4. Our objections to the Information study were taken and we agreed on a compromise, under which Mr Nott would be advised to ask that you should be associated with this exercise in some way, without it being a full "Rayner scrutiny".

b. Other candidates

5. Sir A Hockaday amplified the points made by Sir F Cooper in his letter of 9 January about civilian support of HM Forces. Mr Nott's minute to the Prime Minister would also cover this ground. We left things on the footing that the issue would be dealt with as in Sir F Cooper's letter, which says:

"I should like to consider the terms of a Rayner project on civilians in direct support when we have made a little further progress on all these subjects [of current study]."

6. On Forces Pay, Sir A Hockaday said that the key issue was the decision on computer hardware. As indicated by Sir F Cooper, the subject had been worked over in the past and he was convinced that it was not a field for a scrutiny this year.

7. On the subject of a "discrete organisation" (eg DG Ships), Sir A Hockaday said that there was no part of the MOD organisation which was not undergoing some study, mainly in connection the manpower policy. I quoted from Mr Whitmore's letter of 1 December, citing the reference to the need to look for manpower intensive areas in the "larger employing departments" and suggested that the Rayner label might be attached to a study

which had either just started or was about to start. This was received without great enthusiasm but the point was taken; we shall see the response in Mr Nott's minute to the PM, no doubt.

8. Sir A Hockaday volunteered the thought - and it is only a thought at this stage - that a possible candidate might be the "decision-making process" in relation to the supply of ammunition and other commodities. This would not be mentioned to Mr Nott at this stage, because Sir F Cooper had only just fastened on it as a result of his briefing for the imminent PAC hearing.

A strategy for rationalisation?

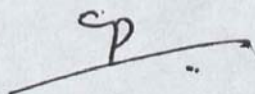
9. Sir A Hockaday made the point, several times, in response to your letters of yesterday and to our possible attitude to the Fisher report that there was no private strategy in the upper reaches of the civil side of MOD for rationalising the organisation. Nonetheless, he fully recognised that it was open to you to say what you thought right and they would very much welcome your involvement in the financial management study which they themselves had been about to suggest, had we not got in first.

Colonel Walden

10. I took the opportunity at the end of my meeting to mention that I would be seeing Colonel Walden and the friendly call I had had from CDS's office about this yesterday, including the offer by the CDS to see me himself on defence organisation matters.

Formalities

11. I suggested that, as I would be reporting our discussion to you, it should not be necessary to put Sir F Cooper to the trouble of a reply to your letter of yesterday.


C PRIESTLEY
20 January 1981



10 DOWNING STREET

From the Private Secretary

MR. BUCKLEY
LORD PRESIDENT'S OFFICE

The Prime Minister was grateful for the Lord President's minute of 14 January about the 1979 Rayner project and the 1980 scrutiny programme. She agrees that the scrutiny programme for this year is especially important in relation to achieving a smaller Civil Service.

The Prime Minister looks forward to seeing the Lord President's comments on the proposals received from Ministers before final decisions are taken. She has asked Sir Derek Rayner to consult him before submitting comments to her on the proposals which have been put forward, and it would clearly be helpful if their comments on the proposals could be reflected in a single submission. The Prime Minister will be ready to discuss the programme if this seems necessary.

I am sending copies of this minute to Peter Jenkins (HM Treasury), Clive Priestley (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

M. A. PATTISON

20 January 1981

JS



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

19 January 1981

The Rt Hon John Nott MP
Secretary of State for Defence

John Nott
Our recent absences overseas have overlapped but we are now both returned and I can offer you my congratulations on and good wishes for your new appointment.

I look forward to being of what service I can and should value a talk about this. We shall no doubt be in contact any way quite soon about the scrutiny of Defence Sales and the studies of financial management, in which the Prime Minister has asked that I should be involved. Fortunately, I have more knowledge and experience of Defence matters than I have of some parts of Whitehall and it has been a great pleasure for me to renew my associations with old friends and colleagues like Frank Cooper and Arthur Hockaday. And I see from articles by the CDS and a Colonel Walden in last month's RUSI Journal that many of the old worries about Defence Organisation are still going strong.

I have had some informal exchanges with Frank Cooper about possible candidates for this year's scrutiny programme, which are, I think, now before you. I think that the sort of programme which would best help you and your Ministerial colleagues would include a mixture of high-cost functions; high-cost activities; and important organisational issues. These are well suited to the scrutiny method. I would leave for other, more normal methods subjects which management can cope with in the customary way of business.

I have written to Frank Cooper (to whom I am copying this) in greater detail on these matters, but should be happy to set them out more fully for you if you wished.

Derek Rayner
Derek Rayner



[Blind copies:
✓ Mr Whitmore
Mr Crawley
Mr Hansford
Mr Russell]

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

Your ref: PUS/81/11
58/15/4/2

19 January 1981

Sir Frank Cooper GCB CMG
Ministry of Defence

Mr [unclear]

ku

MAD

201

File [unclear]

1981 SCRUTINY PROGRAMME' etc

1. Many thanks for your letter of 9 January, which was awaiting my return from a business trip to Canada. I am indeed grateful for the trouble you took over it.
2. Clive Priestley tells me that he has discussed your letter briefly with your office; that he entered some reservations on my behalf; that Arthur Hockaday is to discuss David Fisher's report on inspection and audit with him on Tuesday morning; that that will also be an occasion for talking about the scrutiny programme; and that your new Secretary of State will be writing to the Prime Minister about the scrutiny programme very shortly afterwards.
3. I think it would be a good idea if you and I were also able to have a word, diaries permitting, and if at some stage I had a talk with the Secretary of State (to whom I am writing on his appointment, copy enclosed).
4. May I now go on to comment on points where I think we are in agreement and then set out my worries about your candidates for this year's scrutiny programme?

Agreement

5. On the Fisher report, I am very keen to send the Minister of State a letter and commentary which will help and not hinder. I am glad that Clive took the initiative he did and that Arthur and he are to meet.
6. We are agreed on the Defence Sales scrutiny and, subject to John Nott's views, can push on with that as soon as may be.
7. I myself very much welcomed Francis Pym's minute of 31 December on financial management and am pleased that the PM asked that I should be associated with it. I understand that the Ministry is having problems over getting a private sector accountant, having been turned down (I believe) by Cooper and Lybrand and Anderson's. Our own (M&S) accountants are Deloitte,

Haskin and Sells who would be well worth considering.

8. The study of financial responsibility and accountability is particularly interesting to me. I wonder what you see it producing and how it fits into a wider strategy for rationalisation of the Ministry's organisation. I take it that the PM's assumption that the study should be "fundamental and radical, omitting no reasonable redistribution or concentration of authority" very much marches with your own view of what is necessary. (You may have seen that in my minute to the PM of 19 December on projects and scrutinies I reported that I had been struck "by the comment of an experienced Permanent Secretary that all the scrutinies with which he was familiar revealed fuzziness and obscurity about responsibility, not least in relation to the use and management of resources", para. 31b.)

9. In this connection, also, both the presentation on 17 December and articles by the CDS and Colonel Walden in last month's RUSI Journal left me with an acute awareness of the continuing unease about the efficacy of Defence organisation. I think that the scrutiny programme has a lot to offer here. The Secretary of State and you might like to consider whether the "financial responsibility" study should be brought into the scrutiny programme.

10. I note what you very helpfully say about other possible subjects. May I make these points?

- Services superannuation: This still looks like a good candidate and I should indeed like to see it in the 1982 programme, if earlier is not on.
- Forces pay arrangements: It would help if this could be scrutinised this year.
- Civilian support for HM Forces: I should like to see this important subject scrutinised this year.
- Procurement processes: I agree with what you say.

Candidate for scrutiny programme 1981

11. All four subjects are interesting and valuable in themselves, but they do not - taken together and specially in the absence of cost data for most - look like a package which the PM will find very appealing.

12. Two of them - the organisation of telecommunications and the dissemination of information - look like contributions to a wider organisational strategy. You suggested earlier on that I should take a particular interest in telecommunications and I shall be glad to do so, if that is also the PM's wish, but the information exercise seems to me to fall in the category of ordinary management tasks ruled out by Clive Whitmore's letter.

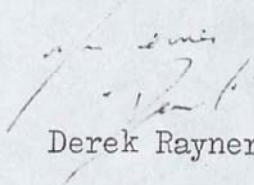
13. The apprentice training proposal looks first rate and I have no problems over it.

14. The group travel exercise has plainly got to be carried out whether it is in the scrutiny programme or not, because of the forthcoming re-negotiation with BR. Given the little you say about it I am not very enthusiastic. I also recall the Ministry had a study of travel arrangements in its "Search for Economy" exercises in 1979 and cannot help wondering what new insights a scrutiny could bring to group travel.

15. So I am happy to recommend acceptance of telecommunications and apprentice training. I think that a package likely to command support would include, in addition:

- a review of Forces pay and/or civilian support (para. 10 above)
- possibly the financial responsibility study (para. 9 above)
- a review of such a discrete organisation as that of the Directorate-General Ships at Bath.

16. I should be very grateful if you would take these suggestions into account in settling the proposals with John Nott. All good wishes.


Derek Rayner

Enc: Copy letter to the Secretary of State for Defence



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-930 5492 ext 233 8224

Speaker Prittley + told him that
since the MOD will need time to consider
Sir D. Rayner's letter, the deadline for Mr
NAT's submission, could be put back to the
end of the week, if that will help him. He agreed
to this being so. I also said that I thought it
to be better.

16th January 1981

John Sir D. R. should not
write his letter to Mr NAT
to his former Minister.
PA. 19th

I should be grateful for any advice you
could offer on the attached submission about the
MOD's security programme, either over the weekend if
you are on duty (to 624 8691) or on Monday
morning. Sorry to bother you, but there are plainly
several in-words here which you will know of
and we don't. All good wishes.

Yours ever,

Clive Prittley

C.A. Whitson Esq.

cc Mr Whitmore (with copy
of Sir F Cooper's letter)

Sir Derek Rayner

THE SCRUTINY PROGRAMME 1981: MOD

1. Please see (a) Sir Frank Cooper's letter of 9 January, in reply to yours of 19 December, and (b) Mr Whitmore's minute to me of 12 January on financial management, both flagged.

2. As other papers explain, the proposals so far made by Ministers for this year's programme are pretty down-market. The probable MOD bids are accordingly all the more important, but they too are a mixed bag:

- Defence Sales: Already agreed - fine.
- Telecommunications: Acceptable, just.
- Information: Unacceptable, even if (which is uncertain) Sir F Cooper intends it as a stalking-horse for a bigger target (organisational rationalisation).
- Apprentice training: Acceptable.
- Group travel by Service personnel on duty: Unacceptable.*

3. The four new items are, I believe, in a draft submission from Mr Nott to the PM, which he wants to put in about next Wednesday.

4. I am due to see Sir Arthur Hockaday (vice Sir F Cooper, who is "dredging" for a PAC appearance) on Tuesday morning, both to discuss a possible commentary by you on the 1980 scrutiny of inspection and audit (I am not bothering you with those papers this weekend) and in the hope of influencing what Mr Nott says.

* Since writing this I have heard that, although he does not say so, Sir Fc favours this because it is "Tri-Service"

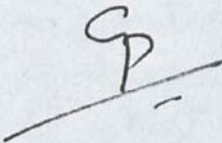
*Mr. Whitmore
You might
think it
right to offer
Sp*

Mr. Nott's office now fine.

5. I think that a heavier gun needs firing too. I therefore suggest that you write to both Sir Frank Cooper in answer to his letter and to Mr Nott, wishing him well and registering a general comment on the sort of scrutiny programme you would like to see MOD undertaking this year. Draft letters are attached; each is self-explanatory.

6. There are some personal niceties here, of course. I do not think that either letter can be reasonably complained of as pushy or offensive, but you will want to have this in mind, given your knowledge of the two addressees.

7. Mr Whitmore's minute of 12 January is also relevant. I can supplement it orally. He might like to let me know on Monday morning whether the letter to Mr Nott is apt, given the background to which his minute refers, and whether it would or would not be helpful for it to be copied to the PM.



C PRIESTLEY

16 January 1981

Encs: File

Draft letters to Mr Nott and Sir F Cooper



Mr PATTISON

THE SCRUTINY PROGRAMME 1981

1 I have spoken to Mr Buckley's number two and to Mr Russell (CSD) about the Lord President's minute to the Prime Minister of yesterday.

2 I have suggested, and they agree, that the suggestion in the penultimate paragraph should be dealt with by showing the Lord President the draft of the forthcoming round-up minute from Sir Derek Rayner to the Prime Minister. (CSD, Treasury and CPRS are of course getting copies of departmental proposals from us and are commenting on them at my level.)

3 I attach a possible draft reply. I do not think that the same facility need be offered to the Chancellor of the Exchequer, not least because neither we nor CSD are much impressed by the proposals from his departments.



C Priestley
15 January 1981

ENC; Draft letter to Mr Buckley



DRAFT OF 15 JANUARY 1981

J Buckley Esq
Civil Service Department

THE SCRUTINY PROGRAMME 1981

The Prime Minister is grateful for the Lord President's minute of 14 January. She agrees that the scrutiny programme for this year is specially important with regard to achieving a smaller Civil Service.

The Prime Minister looks forward to having the Lord President's comments on the proposals received from Ministers. She understands that Sir Derek Rayner's forthcoming submission on them will be shown to the Lord President in draft, so that his views can be embodied in the final version as submitted.

Copies go to John Wiggins, Clive Priestley and David Wright.

M A Pattison



From the Secretary of State

Clive Whitmore Esq
Principal Private Secretary to
the Prime Minister
10 Downing Street
London, SW1

15 January 1981

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

Your letter of 1 December invited Ministers to put forward their proposals for the 1981 scrutiny programme.

My Secretary of State proposes that his next Rayner Study should cover the handling of the routine prosecution work of this Department, particularly the scope for using other resources than our own HQ solicitors when dealing with cases being heard in the provinces. It is possible that this study could have a wider Whitehall impact, because other Departments exercise similar enforcement powers. It might provide a starting point for a consideration of the possibilities for more co-operation between Departments on routine prosecution work in the regions which could have significant implications for resource savings without loss of efficiency.

Copies of this letter go to the recipients of yours.

*Yours sincerely,
S. Hampson*

S HAMPSON
Private Secretary



EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981
DEPARTMENT OF TRADE

(a) Subject

The handling of routine prosecution work by the Solicitors Department on behalf of the Department of Trade.

The Solicitors Department provides legal services as a common service to the Departments of Trade and Industry. The work to be reviewed is done almost exclusively on behalf of the Department of Trade. It consists of investigation and prosecution work arising from legislation which is the Department of Trade's responsibility to enforce. Numerically, the majority of cases involve routine prosecutions, of which ten qualified lawyers, with their supporting staff, are mainly, though not exclusively, engaged. Many of these cases are heard in magistrates' courts outside London (these represented some 89 cases in 1980 out of a total of 125) and at present involve the attendance of legal staff from HQ to represent the Department.

(b) Reason for selection

Qualified legal staff are expensive and in short supply. There are pressures to reduce staff numbers and expenditure on travel and subsistence. The question is whether more use could be made in routine prosecution work of solicitors in private practice and province-based investigation staff of the Department. The



amounts of money and resources immediately involved are not enormous but the review could have implications for other Departments with similar enforcement responsibilities and might lead to a more general study of the scope for the development of interdepartmental arrangements for handling routine prosecution work in the provinces.

(c) Cost

Total staff costs, including accommodation, for the HQ legal and direct support staff in Solicitors Department C involved in routine prosecution work are estimated at £365,000 a year. Expenditure on travel and subsistence for court attendances outside London is estimated at £5-7,000a year.

(d) Terms of reference

To examine the handling of the routine prosecution work of the Department of Trade with a view to assessing the scope for the instruction of local solicitors to act as the Department's agents and the greater use of investigation staff in provincial offices and to make recommendations.

(e) Proposed starting and finishing dates

It is expected the review will commence in April 1981 and the draft report will be available in July 1981.



(f) Examining Officer and Reporting Arrangement

The Principal to carry out this review has not yet been identified. He or she will report to the Parliamentary Under Secretary of State (Mr Eyre) and will consult with the Permanent Secretary in designing, launching, conducting and reporting the study. An officer from the Solicitors Department will be designated to assist the Principal as an adviser on legal and technical matters.

Prime Minister
had Soames' thoughts on
the Rayner programme.
He will have an
opportunity to comment
on 1981 scrutiny
proposals before you give
your best blessing.



PRIME MINISTER

me

1979 RAYNER PROJECTS AND 1980 SCRUTINY PROGRAMME

I have seen Derek Rayner's report to you on the projects and scrutinies, and I am glad it has been circulated to senior Ministers generally.

MAF
14/11

The value of the projects and scrutinies in showing in concrete terms where greater efficiency can be obtained were most valuable in helping us to fix manpower targets. I believe there is much departments can learn from each other.

Paragraph 35(a) mentions the central stimulus which we have been giving to read-across from the projects. You already know of the savings of 2200 staff engaged in local authority and industrial matters. A number of other current projects will also produce substantial savings - the MAFF Management Review is expected to save 400 staff, for example, and Michael Heseltine's recent review of the PSA network recommends a reduction of 700-800 posts.

Meanwhile Derek Rayner has reported to you on the statistics review which has identified useful savings of 1700 posts, and I have minuted you proposing a successor scrutiny of supporting services in research and development establishments.

So the process of reading-across is gaining momentum; and it should increase as the accumulation of evidence from the scrutiny programme grows.

But we must look ahead too. 1981 is a crucial year for departments to do the preparatory work for achieving a smaller Civil Service. If it is not done now, it may be too late to reap the benefits by 1984 and most departments should and must make efficiency savings of at least 2 per cent a year.

The scrutiny round, the statistics review and the read-across of lessons have all contributed to accelerating the pace of savings. I am anxious that the next round of scrutinies should make a substantial further contribution. We need more 'Johnston' type reports in the big administrative areas and no department should get away with choosing small subjects with little potential.

I was glad to see these thoughts reflected in paragraph 35 of Derek's report to you and that your private secretary drew specific attention to this paragraph in circulating it. We shall shortly see whether departments respond positively. Because of their importance for our policies for the Civil Service, I would welcome the opportunity to comment on the scrutiny proposals put forward by departments before the programme is finally settled.

I am sending copies of this minute to the Chancellor of the Exchequer, Sir Derek Rayner and Sir Robert Armstrong.

S.

SOAMES

14 January 1981

PT7: Rayner with memo

MR PRIESTLEY

cc for information
✓ Mr Pattison
Mr Buckley
Mr Green
Mr Wright
Mr Jarmany
Mr Gaffin

HENNESSY INTERVIEW WITH SIR DEREK RAYNER

A | Thank you for sending me a copy of your minute to Mr Gaffin. Sir Ian Bancroft has no objection to the interview and, indeed, believes it could well do a great deal of good. All the work that is now going on to improve the efficiency of the Service and the motivation of the people in it - and the obvious link between those goals and morale - cannot be stressed too much (or repeated too often).

B | Although it is not strictly Hennessy's subject, it is possible that in the course of the interview he might touch upon pay. In case he does, Sir Ian would underline the words of caution expressed in paragraph 4 of Mr Gaffin's note to you of 8 January and suggest that if the subject of pay comes up Sir Derek should steer Hennessy firmly away from it.

J. G. C.

Mr. Colman cc As above
File

JEREMY COLMAN
Private Secretary
14 January 1981

1. Many thanks.
2. On A/ above, interview now arranged for 24th February.
3. On B/ above, Mr. H. has not referred to pay before. If he does, point taken.

CP
15.1.81

PREM 19/477

✓
MP
Sav Mach

Prime Minister

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

1. Your Private Secretary's letter of 1 December asked for proposals for further Rayner scrutinies in 1981. I have also read with very great interest Sir Derek's report on the 1979 and 1980 scrutiny programmes, which you have just had circulated. You are of course well aware of the large contribution DHSS has made to these programmes - and to the study of Government statistics: we are fully committed to this work, whose value has been well demonstrated in this Department.
2. We have a full programme of other studies going on, outside the Rayner programme; and we are heavily engaged on the follow-up work to our previous scrutinies. We have in addition one of our 1980 scrutiny programmes still in the pipe-line. I have been concerned to ensure that we apply the special impetus which Rayner studies can bring to topics where it is particularly likely to yield significant results in areas which, in the terms of your Private Secretary's letter of 1 December, are characteristic of the Department's activities and manpower-intensive. I attach notes setting out the required information on the two proposals I wish to put forward for the 1981 programme. I think these are self-explanatory, and that they offer a further substantial contribution to the scrutiny programme.
3. The proposed scrutiny of the basis for calculating pension entitlement will tackle a complicated area of social security administration and could open the way to some simplification and a reduction in work falling both on our own staff and on outside employers. It will also clarify issues for the wider review of our operational methods which the Department is engaged on. The proposed scrutiny of the handling of casework at Headquarters - which is now vast in volume - will be of particular important to our efforts to reduce the size of DHSS Headquarters. Both scrutinies,

I believe, entirely match the prescriptions in Sir Derek Rayner's report to you on the 1979 and 1980 programmes. They both cross the border between the Department and its clients outside; and they both fit into wider management plans for the Department and its activities.

4. If these proposals are approved, the Department will press ahead with setting up study teams and fixing a timetable. As indicated in the enclosed note about the casework study, however, we shall probably want to delay the start of that study until April when another (non-Rayner) directly relevant study already in progress should have been completed.

5. More generally, on Sir Derek's recent report, I am impressed both by the scale of what has already been achieved, and by the point he makes about "reading across" the lessons of studies in one Department that may concern others. If CSD could help us from the centre over this, I am sure it would be valuable. I have also noted his point about applying the scrutiny method outside the formal scrutiny programme: we are in fact already doing this with the study I have referred to in the previous paragraph.

6. I am sending copies of this minute to the Lord President and to Sir Derek Rayner.

PJ.

THE BASIS FOR CALCULATING PENSION ENTITLEMENT

Subject

Under the earnings-related pension scheme which began in 1978/79, the weekly rate of the earnings-related element of new awards of retirement pension, widows' pension and widowed mothers' allowance, and invalidity pension has to take account of the person's earnings up to and including the last complete tax year ('the final relevant year' (FRY)) before he becomes entitled to the award.

The figure of earnings to be used in such calculations is a figure which is derived from the earnings-related National Insurance contributions which his employer deducts from his pay, pays to Inland Revenue, who (after the end of the tax year) forward details for recording in the person's own NI account at Newcastle. Because of the time it takes (at least 6 months) to get these contributions recorded on every individual account and of the need generally to calculate the award in advance of the date of entitlement, the contributions for the final year have often not reached the person's account at the time the award is being calculated. This happens in about 70% of all new awards. In these circumstances it becomes necessary then to -

- (a) obtain from the employer details of the person's contributions for the year in question (details which the employer will generally have already passed to Inland Revenue); and
- (b) make an initial award based on information given by the employer and, later, once the actual contribution details reach the NI account, a final award (which is often higher or lower than the initial award because the employer gave incorrect information in response to our enquiry).

Continued/...

ost

It is estimated that there are roughly 100,000 enquiries per year in invalidity benefit cases, and 400,000 cases per year in retirement pension and widows' benefit cases. The DHSS staff cost of this is estimated at about 150 man years, plus postage and stationery costs of at least £200,000 a year. There is also a considerable cost for employers.

Reasons for
the Proposal

The need first to make these enquiries and then to have to make two-stage awards is frustrating to DHSS as well as to employers. If an alternative arrangement could be found, almost certainly needing an amendment to the Social Security Act, substantial administrative savings could result, both for DHSS and employers. ~~Furthermore, a solution to the FRY problem might well remove one obstacle to centralising pensions awarding.~~

Terms of
Reference

To study the 'final relevant year' provision in the Social Security Pensions Act 1975 and its administrative implications for retirement pensions, widows' benefit and invalidity pension and for contract^{ed}-out pension schemes, and to consider possible legislative and other changes which would lead to more efficient administration.

Starting and
Finishing Dates

This scrutiny could be started at any time suitable staff could be made available.

Staffing

To be appointed.

Ministerial
reporting
arrangements

Parliamentary Under Secretary of State (Social Security) - Mrs Chalker - will oversee this scrutiny.

CASEWORK IN DHSS HQ

Subject Handling Ministerial and other correspondence in HQ: and in related branches based in the Central Offices.

Cost Substantial. To obtain full information would probably mean seeking it from Divisions, but it is known that DHSS Ministers' correspondence is running at 30,000 per year. (Further costs on this will be available, following the costs of Parliament exercise, in the middle of 1981). There is less information available about non-Ministerial correspondence. A fair guess might be that 10% of admin staff are engaged on correspondence work (375) at a cost of approximately £7m. Such evidence as we have indicates that the amount of correspondence casework is increasing.

Reason for the Proposal A number of initiatives have been taken recently as part of Ministers' general strategy for reductions in workload to handle correspondence more economically. Nevertheless, the sections dealing with a heavy load of correspondence may not always tackle it in the most appropriate and economical way. A study might have wider implications for other government departments.

Terms of Reference To examine the handling of correspondence in DHSS HQ and related branches and to advise on ways of doing this as economically as possible compatible with minimum acceptable standards of service to the public.

Proposed starting and finishing dates This study should await the outcome of another (non-Rayner) study currently in progress about the handling of work at different levels on the social security side of the Department: a likely starting date would be April.

Name of examining officer To be appointed

Ministerial reporting arrangements Parliamentary Under Secretary of State (Health and Personal Social Services) - Sir George Young - will supervise this study.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~930722X~~ 218 2111/3

MO 8/14

14th January 1981

*cc Mr Priestley
na
MAD
14/1.*

Dear Chris,

EFFICIENCY IN CENTRAL GOVERNMENT:
THE SCRUTINY PROGRAMME 1981

Your circular letter of 1st December invited the submission by 9th January of Ministers' recommendations on the 1981 scrutiny programme.

I am afraid that a reply from the Ministry of Defence is already overdue but I hope that you will bear with us for a few more days given that Mr Nott sat at his desk here for the first time only on 12th January. I would hope that he would be able to put advice to the Prime Minister next week.

*Yours and,
Ben*

(B M NORBURY)

C A Whitmore Esq



Handwritten initials/signature in red ink.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

14 January 1981

C Whitmore Esq
Principal Private Secretary
10 Downing Street
LONDON SW1

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

I should perhaps add a postscript to my letter of 9 January about the Chancellor of the Exchequer's proposals for scrutinies in his Departments.

The proposed scrutiny by the Department for National Savings - the investigation of Post Office errors - would be additional to a review (on which the Department is already engaged) of minimum deposit/purchase levels for its savings services and also to a re-examination (expected to begin by the end of next month), with the aid of outside consultants, of the scope for extending computerisation of the Savings Certificate system. These studies have been prompted, as Sir Derek Rayner is already aware, by the continuing search for manpower economies.

I am copying this letter to Sir Derek Rayner.

Yours ever,

Richard Tolkien

R I TOLKIEN
Private Secretary

Mr. Peter Rees: I shall let the hon. Member have a reply as soon as possible.

European Community

Mr. Teddy Taylor asked the Chancellor of the Exchequer how much falls to be paid from the EEC in rebates arising from the agreement of 30 May 1980 by 31 March 1981; how much has been paid to date; and when he expects further payments to be made.

Mr. Lawson: I shall let my hon. Friend have a reply as soon as possible.

Mr. Teddy Taylor asked the Chancellor of the Exchequer what was the net contribution actually made to the EEC by the United Kingdom in the calendar year 1980; and what were the comparable figures in each of the previous seven years.

Mr. Lawson: I shall let my hon. Friend have a reply as soon as possible.

European Economic Council (Payments)

Mr. Richard Shepherd asked the Chancellor of the Exchequer if he will detail the gross national payments to the European Economic Council for each member State allocated by resource, common agricultural policy, common tariff and value added tax.

Mr. Lawson: I shall let my hon. Friend have a reply as soon as possible.

ref. MAH to HMT 31.12.80

Treasury and Supply Delegation (Washington)

Mr. Garel-Jones asked the Chancellor of the Exchequer what has been the outcome of the Rayner review of the procurement and movement functions of the United Kingdom Treasury and Supply Delegation in Washington included in the reply by the Minister of State, Civil Service Dept. of 10 August to the hon. Member for Wolverhampton, North-East (Mrs. Short).

Sir Geoffrey Howe: I have arranged for copies of the report to be placed in the Library. The Prime Minister has agreed to the main recommendation that the functions be transferred to the Ministry of Defence. This will take effect from 1 April 1981.

European Community Budget

Mr. Myles asked the Chancellor of the Exchequer if he will make a statement about the meeting of the European Community Budget Ministers on 22 December and on subsequent events.

Mr. Lawson: In my answer on 19 December—[Vol. 996, c. 473-4]—to a question by my right hon. Friend the Member for Worthing (Mr. Higgins) I reported to the House on the events at the meeting of budget Ministers on 17 December, and on the amendments subsequently adopted by the European Parliament on 18 December to the 1980 draft supplementary budget No. 2 and to the 1981 draft budget.

I represented Her Majesty's Government at a further meeting of budget Ministers on 22 December which considered the Parliament's amendments. There was a

difference of view between member States on their propriety and, after several abortive attempts to reach agreement on a compromise position that might be acceptable to the Parliament, the Council concluded that the Presidency would have to report to the Parliament that their amendments, according to a certain number of delegations, constituted a misuse of the budgetary procedure, and that the Council had not been able to pronounce on them. I made it clear that the United Kingdom was not one of the delegations referred to.

The European Parliament was informed of the outcome of the Council on 23 December. Madame Veil, President of the European Parliament, immediately made a formal declaration adopting both the 1980 supplementary budget and the 1981 budget. On the same day the Commission sent requests to member States to make payments on 2 January 1981 to finance the supplementary budget for 1980 and the first monthly instalment to the 1981 budget. Her Majesty's Government complied with the Commission's requests on 2 January.

Overseas Development

Overseas Students

Mr. Wilkinson asked the Lord Privy Seal whether, during the academic year 1981-82, his Department will continue its fee support scheme in order to help students from developing countries who are studying in the United Kingdom.

Mr. Neil Marten: During the academic year 1981-82 my Department's fee support scheme will continue. Students from developing countries which have technical co-operation arrangements with the United Kingdom are eligible for FSS awards which will meet 50 per cent. of the postgraduate fee. On the basis of known fee levels, it is expected that, in addition to 150 continuing awardholders, a further 300 new awards will be available for the 1981-82 academic year.

Home Department

Prison Visitors

Mrs. Renée Short asked the Secretary of State for the Home Department what plans he has to meet representatives of the newly formed Association of Members of Boards of Prison Visitors; if he will release to them the names of all boards of prison visitors; and if he will make a statement on the establishment of the Association of Boards of Prison Visitors.

Mr. Mayhew: Officers of the Association of Members of Boards of Visitors have been invited to meet officials of the prison department. If the association were to make a request for the names of individual members of boards of visitors, my right hon. Friend would be prepared to consider it. As representatives of boards were told at their annual conference on 15 October 1980, he has no objection to the establishment of an association of members of boards of visitors. It is a matter for individual members themselves to decide if they wish to join the association which has now been formed.

010
From: THE PRIVATE SECRETARY



HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

12 January 1981

Dear Clive,

NB&M.

MW.

14.

EFFICIENCY IN CENTRAL GOVERNMENT:
THE SCRUTINY PROGRAMME 1981

Your letter of 1st December invited Ministers to send to the Prime Minister their proposals for this year's scrutiny programme.

... The Home Secretary proposes that the Forensic Science Service should be the Home Office subject for scrutiny this year. The enclosed note provides information on the lines requested in your letter.

I should draw attention to two points. First, the starting date is uncertain at present. It will not be possible to get hold of the right person to lead the scrutiny team before April and it could be later. Secondly, the scrutiny will almost certainly take a good deal longer than three months if a proper job is to be done.

I am sending copies of this letter and enclosure to Clive Priestley, Cabinet Office, Godfrey Robson, Scottish Office and Roy Harrington, Northern Ireland Office.

Yours,

S. W. Smith

S. W. BOYS SMITH

C. A. Whitmore, Esq.

RAYNER SCRUTINY: FORENSIC SCIENCE SERVICE

- (a) Subject: The Forensic Science Service provides an operational service for the investigation of crime to 43 police forces in England and Wales; expert scientific assistance is also provided to the courts and work done for coroners. Outside London there are six laboratories and a research establishment comprising 488 scientists and 79 support staff, administered by a small headquarters of 12 staff at the Home Office. The Metropolitan Police have their own laboratory with a staff of 270.
- (b) Cost: The total cost of the service, including the Metropolitan Police Laboratory, is about £15m a year. Some 60% of this is met by central government, the rest by local government.
- (c) Reasons for selection: The workload of the Forensic Science Service is steadily increasing with the growth of reported crime and new commitments such as work on barbiturates and breath-testing devices. Manpower constraints make it impossible to go on increasing staff in proportion to workload. A review is desirable to explore the possibilities for relieving pressure on the service, which is already difficult to contain.
- (d) Terms of reference: To review against the background of current manpower constraints the increasing demands being placed on the Forensic Science Service (including the Metropolitan Police Laboratory) and the efficiency of its working; and to make recommendations.
- (e) Dates: Proposed starting date: 1st April 1981 (or later); duration: up to six months.
- (f) Staffing and Ministerial supervision: The scrutiny will be carried out by a small team consisting of an Assistant Secretary with two assistants, one a scientist and the other a police officer. The Home Secretary proposes to ask Lord Belstead to supervise the exercise.



DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

✓ MJA

Clive Whitmore Esq
Principal Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1

12 January 1981

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

Your letter of 1 December invited Ministers to put forward their proposals for the 1981 scrutiny programme.

My Secretary of State proposes that his next Rayner Study should cover the organisation of the Traffic Area Offices, particularly the number and boundaries of the Traffic Areas or at least whether in some cases one Chairman might be in charge of two Areas. He also proposes a study of the organisation and control of work, and expenditure on winter maintenance of trunk roads, but is not yet certain that this can be arranged in a form suitable for the Rayner programme. Provisional details of the two projects are annexed. If the latter proves to require too large an operation, he has it in mind to formulate a Rayner study of the Department's involvement in road signs.

Copies of this letter go to the recipients of your letter of 1 December.

Yours,
Anthony Mayer

R A J MAYER
Private Secretary

TRAFFIC AREA ORGANISATION

A. Subject.

It is proposed to review the number and boundaries of Traffic Area Offices in relation to the Offices' existing functions and known changes in prospect; to examine whether there would be advantage in an early realignment of traffic area boundaries [redacted] and whether (in this or other ways) the statutory functions can be discharged with fewer Chairmen.

B. Costs.

The costs of carrying out the policies etc relevant to Traffic Area Offices are not directly material to this review, for the reasons at * below.

C. Reasons for selecting the subject.

This is a worthwhile and manageable study which would be a suitable vehicle for looking at the efficiency with which the organisation discharges its functions, and which follows naturally from the Rayner scrutiny of the Department's regional office organisation.

D. Terms of reference.

Draft terms on the following lines are being considered:

"To examine the number of Traffic Areas, the areas covered by Traffic Area Offices and the scope for changing them, in the light of existing functions and of known changes in prospect; to examine whether in any case changes to boundaries are required, or whether any two Areas might be covered by one Chairman".

E. Proposed starting and finishing dates.

The assignment would start not later than 1 March 1981 and be completed within 90 working days.

F. Name of examining officer.

The scrutiny would be conducted by Miss A R Head, Assistant Secretary, Directorate of Manpower and Management Services. She would have access to the Chairmen of Traffic Commissioners and senior officials as necessary and would report to the Secretary of State for Transport.

BACKGROUND

1. Following Ministerial correspondence in 1980 about the possibilities of pursuing more widely the lessons drawn from "Rayner" scrutinies, DTp have been considering the scope for rationalisation in the Traffic Area Office (TAO) network.

2. There are 11 Traffic Areas covering Great Britain but the Scottish Area also has a sub-office at Aberdeen. For each Area the Secretary of State appoints (under the Road Traffic Acts) independent Traffic Commissioners with quasi-judicial licensing functions over public transport operators, drivers and vehicles. The Chairman of the Traffic Commissioners in each area is ex officio the Licensing Authority for that area with similar quasi-judicial functions concerning the carriage of goods by road.

3. The Chairmen are supported by DTp staff and resources. These are located in the Traffic Area Office and in several other kinds of DTp establishment in the Area (eg Driving Test Centres), which employ about 4,000 staff in all, but the great majority of these work wholly or partially on normal DTp functions for which the Chairmen have no specific statutory responsibility.

4. Aspects of TAO work are constantly reviewed; but, because of the heterogeneous functions and complex management lines, useful action has been less likely to result from broad reviews of the work than from concentration on specific matters which are capable of early change. A number of such matters have been reviewed (eg the use of mini-computers for processing licensing applications), and action is proceeding on them urgently. Another specific matter is the number and boundaries of the traffic areas, substantially unchanged since the 'thirties and not co-terminous with the standard regions or any other boundaries. They are not considered in the 1979 Management Review of the Department's Transport Licensing and Enforcement activity; and, although that Management Review looked at the Chairmen's functions in relation to those of departmental staff, it did not question the basic 11 element structure. These are the proposed subjects for the current review.

A. Subject.

Winter maintenance of trunk roads and motorways.

B. Cost.

The cost of this service, provided by local authorities and charged to the Department, fluctuates between £4 million and £9 million a year depending upon the severity of the winter.

C. Reasons for selecting the subject.

The cost of keeping trunk roads and motorways clear of ice and snow has risen in real terms during the last 5 years and the volume of road salt distributed is increasing. These increased resources do not appear to be matched by any discernible reduction in accident frequency on these roads in winter. There are marked differences between county councils in the management of labour, machinery and materials in providing this service with correspondingly wide variations in its cost. The Secretary of State for Transport announced on 19 December 1980, that he would be reviewing these arrangements with a view to securing the most cost effective measures of maintaining safety.

D. Terms of reference.

To examine the methods adopted by a representative sample of local authorities for the winter maintenance of trunk roads and motorways in England with a view to securing:

- i. the maximum economy and value for money, subject to the overriding needs of safety;
- ii. effective control over such expenditure;
- iii. a better understanding between the Department and its agent authorities.

Additionally, the study should examine the scope for alternative methods of providing this service including the deployment of private sector contractors.

E. Proposed time-scale.

About 3 months from March 1981.

F. Examining Officer and reporting arrangements.

A Principal and Principal-level civil engineer. Details yet to be finalised.



10 DOWNING STREET

From the Principal Private Secretary

12 January 1981

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

The Prime Minister has seen Mr. Pym's minute of 31 December 1980, which she very much welcomes. She has asked me to make a couple of points in response.

First, the Prime Minister agrees with Mr. Pym that private sector experience will be particularly relevant to the examination of financial control procedures. She accordingly suggests that as well as drawing on the assistance of an accountant from the private sector, your Secretary of State should arrange for Sir Derek Rayner's advice to be sought during the study.

Second, the Prime Minister takes it that the examination of financial responsibility and accountability will be fundamental and radical, omitting no reasonable redistribution or concentration of authority.

I am sending copies of this letter to John Wiggins (HM Treasury), Ian Ellison (Department of Industry), Jim Buckley (Lord President's Office), Terry Mathews (Chief Secretary's Office) and to Sir Robert Armstrong and Sir Derek Rayner.

T. A. WHITMORE

B.M. Norbury, Esq.,
Ministry of Defence.

9B



10 DOWNING STREET

From the Principal Private Secretary

MR. PRIESTLEY

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

The Prime Minister has seen your minute of 5 January and she knows that Sir Derek Rayner subsequently endorsed what you said in that minute.

Your minute was, of course, written before the recent changes in Ministerial appointments, and the Prime Minister takes the view that it would not be fair to Mr. Nott to invite him, so soon after taking over as Defence Secretary, to set in hand a study of the possibilities for a fundamental rationalisation of Defence organisation. Mr. Nott is already aware of the Prime Minister's concern about the organisation of the MOD and he knows that this is something to which she would expect him to turn his attention as a matter of priority. She would therefore prefer to give him the opportunity of taking stock of his new Department and making up his own mind about how he wants to tackle the problem of its organisation.

I have accordingly drawn only on the first three paragraphs of the draft letter attached to your minute, and I attach a copy of the letter I have now sent to Mr. Norbury.

C. A. WHITMORE

12 January 1980

CB

PRIME MINISTER

EFFICIENCY IN CENTRAL GOVERNMENT:
THE SCRUTINY PROGRAMME 1981

In his letter of 1 December your Private Secretary asked for proposals for the 1981 Scrutiny Programme to be sent to you. The subject I propose for this year's Department of Energy scrutiny is the Registries.

I have asked Donald Maitland to discuss the conduct of this scrutiny with Derek Rayner in order to establish how the task can best be accomplished given the limited resources available to us in this small Department. In the light of that discussion I should be able to send you the other information about the proposed scrutiny requested in your Private Secretary's letter.

I am sending a copy of this minute to Sir Derek Rayner.

Secretary of State for Energy
January 1981

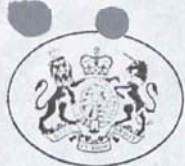
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MANAGEMENT - IN - CONFIDENCE



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2193 (Direct Dialling)

01-218 9000 (Switchboard)

PERMANENT UNDER-SECRETARY OF STATE

SIR FRANK COOPER GCB CMG

9 January 1981

PUS/81/11

58/15/4/2

Sir Derek Rayner
Cabinet Office
Whitehall

Dear Derek.

Thank you very much for your letter of 19 December. We were very glad to see you over here again.

2. Thank you in particular for your helpful observations on the 1981 scrutiny programme. We had as you know been devoting a lot of thought to possible candidates for the 1981 scrutiny since well before the arrival of Clive Whitmore's letter, bearing in mind not only the points in paragraph 7 of your letter about manageability, which are very apposite if I may say so, but also the extent to which the ground is already being covered by other reviews of different kinds. We were just about to submit to our outgoing Secretary of State our proposals for four topics for 1981; and shall put them to our new Secretary of State when he assumes office next week after his return from Indonesia.

3. They are:

a. a review of our organisation for ensuring the most effective use of telecommunications facilities and of exploiting technological developments, concentrating especially, so far as it makes sense to do so, on administrative telecommunications;

b. a review of the means of disseminating information to staff within the Ministry of Defence. In a Department the size of ours, this is a very real problem. We issue Defence Council Instructions, Office Memoranda, Notices to Directors and Heads of Divisions, Office and Telephone Directories and various MOD Manuals at very considerable cost. We would aim to see whether there is scope for rationalisation and improvement, including the use of new technology;

c. a review of the cost effectiveness of our present arrangements for MOD apprentice training. We have over 8,000 apprentices currently in training at an annual cost of around £70M a year. Loss rates, particularly after training, are high so that much of our effort is devoted, in effect, to meeting a wider national demand for skilled personnel. We would aim to see whether the present arrangements are fully cost effective, taking into account the wider national interests involved;

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d. a review of arrangements for group travel on duty by Service personnel within the UK. Commercial movement costs about £33M a year and there are as yet unquantified costs for the provision of Service transport for group duty travel. It makes sense to carry out this review now because our standing agreement with British Rail is due for re-negotiation during 1981.

These are, of course, additional to the sales scrutiny about which Clive Whitmore has now written to Brian Norbury and to our own various in-house studies - for example, the two studies of financial management about which Mr Pym minuted the Prime Minister on 31 December, and a study of the efficiency and economy of the ways in which we discharge our responsibilities for personnel, physical, and document security.

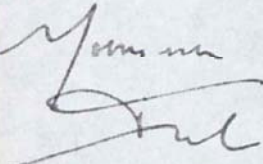
4. You will see that we have put in abeyance for the time being the proposal I mentioned to you for a review of Services' superannuation. This is not because we believe that such a review would not be worthwhile but because we are planning to implement some changes which will achieve a degree of rationalisation and a staff saving of some 60 posts in the Army Pensions area fairly soon. The changes here are also linked to our plans for dispersal to Glasgow. We thought on reflection that it would be better to go ahead with these changes and pick up the staff savings, leaving open the possibility of an across-the-board review, perhaps in the 1982 programme, rather than delay the savings while the review took place.

5. So far as the other ideas in your letter are concerned, Forces pay arrangements have been looked at pretty closely on a number of occasions to see what scope there was for savings through rationalisation. The problem here is on the one hand that pay arrangements cannot be divorced from the Services' personnel management systems and on the other that major changes are very dependent on the timing of and scope for decisions on hardware since all three Service pay arrangements are now computerised. But this is an interesting idea and I am asking my people to explore whether we can identify a worthwhile project of manageable size in the Forces pay field. If so, we could run it either later this year or next.

6. On your point about civilians working in direct support of the Armed Forces, there is of course a great deal already going on, following particularly the Dockyard and Supply Management studies. The Dockyard Study made some fairly trenchant remarks about the possibility of improving industrial productivity and streamlining non-industrial management; we are now trying to see how best to make the changes which the Study saw as necessary if such improvements were to be achieved. If we are successful, I am sure there will be some read-across to other areas. Similarly, the Supply Management study has given rise to further investigations in the area of logistic support; these include the possibility of contracting out certain functions, and also the question whether we should continue to provide furniture for Servicemen's Married Quarters, a policy which involves substantial numbers of civilian staff. I should like to consider the terms of a Rayner project on civilians in direct support when we have made a little further progress on all these subjects. That would also give us the chance to draw on any lessons from the interdepartmental study of support services for R&D establishments, which might well have some read-across for the more basic housekeeping functions in support of the Services. I have in

mind too that if our NITU Side make any proposals for Rayner projects in 1981 (as I have invited them to do) they are likely to fall in this area. But we are, as you see, proposing as one of our candidates for 1981 a project in the transport field (movement of Service personnel) which falls usefully into this sort of category and is not without relevance for civilian numbers, since we shall be looking at in-service as well as extramural arrangements for the movement of Service personnel.

7. On your final point, about the extent to which PE might be doing the work of its contractors, we very much share your sentiments and there is a good deal going on in this area too. We are now engaged in carrying through the implementation of Geoffrey Pattie's study of quality assurance which forecast significant savings in civilian numbers from continuing rigorously to implement the principles of the Raby Report. David Cardwell's people are currently engaged, jointly with industry, in a review of procurement processes under the umbrella of the National Defence Industries Council. For the moment, again, I should like to let these take their course though I think we may well find a possible candidate project emerging later from this further work.



FRANK COOPER



✓
MP

2 MARSHAM STREET
LONDON SW1P 3EB

My ref: H/PSO/19245/80

Your ref:

9 January 1981

Dear Clive

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

Your letter of 1 December invited Ministers to submit their proposals for the 1981 Rayner Scrutiny programme. My Secretary of State wishes to put forward two proposals.

The first concerns DOE (Central) and is a study of the control of administrative costs, including the scope for local budgeting; we are already in discussion of the details with CSD, the Treasury and Sir Derek Rayner's office. The second, concerning the PSA, is a scrutiny of the Custody Service, operated for those Departments who do not have their own police or security services. Fuller details of both projects are annexed.

My Secretary of State has also considered whether he could put forward any studies in secondary departments. A major study of the future operation of the Ordnance Survey is already in hand and a change in status of the Countryside Commission to be a grant-aided body has already been announced. With these changes in train, my Secretary of State has concluded that it would be premature to embark on a Rayner scrutiny in either case.

Copies of this letter go to the recipients of your letter of 1 December.

Yours ever
D A Edmonds

D A EDMONDS
Private Secretary

Clive Whitmore Esq
No 10

DEPARTMENT OF THE ENVIRONMENT (CENTRAL): RAYNER SCRUTINY 1981

a. Subject.

The estimating, monitoring and control of running costs in DOE(Central) and the possibility of establishing local cost centres.

b. Cost.

Excluding staff costs (which are already controlled through the manpower budgeting and MINIS systems) the annual running costs of DOE(C) are some £44M (1980/81 outturn prices) borne on the Department's own Votes, plus services to the approximate value of £38M provided by other Departments (accommodation, etc.)

c. Reasons for selecting the subject.

The first annual scrutiny of departmental costs revealed the need for a tighter grip on overheads in DOE(C) other than staff costs. The possibility of establishing local cost centres needs to be investigated. This will include consideration of the linking of such a system to the present controls of staff costs, and the relationship of local cost centres to the central Establishments and Finance divisions.

d. Terms of reference.

To examine the methods now used to estimate, monitor and control expenditure on running costs in the Department of the Environment and, with a view to securing:

- i. effective managerial control over such expenditure,
- ii. the maximum economy and value for money in such expenditure,
- iii. the delegation, where this is reasonable and practicable, of properly accountable responsibility for such expenditure to managers of departmental units in respect of which it is incurred, and
- iv. that the respective responsibilities and functions of the relevant Establishments and Finance divisions are such as to achieve these objectives,

to report and to make recommendations.

e. Proposed time-scale.

About 3 months from January 1981.

f. Examining Officer and reporting arrangements.

The team would consist of Mr C J P Joubert (Economic Adviser) and

Mr H C S Derwent (HEO(A)), attached to the Public Expenditure Co-ordination Division in the Central Policy and Resources Directorate. They will have regular access to senior officials dealing with Finance, Manpower and Policy Planning and will report to the Secretary of State.

2F.

PROPERTY SERVICES AGENCY: RAYNER SCRUTINY 1981

a. Subject.

The Custody Service provided by PSA London Region to Departments who do not have their own police or security services.

b. Cost.

The total cost of the service (830 personnel) is £6.15M per annum. This figure represents salaries, wages and uniform costs.

c. Reasons for selecting the subject.

The service is provided by PSA in response to Departmental requirements and on the advice of the Security authorities. PSA therefore have very little control over the numbers employed but they all count as part of PSA's manpower. A current study on grouping of buildings for security purposes promises to show a small saving. A reduction in the present level of surveillance would be required in order to achieve any large-scale savings. Recent approaches to CSD and MOD Security Service have met with suggestions that a working party be set up to explore alternative measures with the Departments concerned. The subject seems apt for a Rayner scrutiny which is likely to produce results more quickly than an inter-departmental committee.

d. Terms of reference.

To review the criteria which are used to establish the requirement for a custody service, the manner in which the requirement is met and the way in which the staff numbers are accounted for, and to make recommendations.

e. Proposed time-scale.

About 3 months from January 1981.

f. Examining Officer and reporting arrangements.

The Examining Officer (still to be selected) will work closely with Mr Delafons (Deputy Chief Executive, PSA) and will report to the Secretary of State via Mr Finsberg (Parliamentary Under Secretary of State).



2/1/81
MFD
Gut Munch

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

9 January 1981

C. Whitmore, Esq.,
Principal Private Secretary,
No.10, Downing Street,
LONDON, S.W.1.

Dear Clive,

EFFICIENCY IN CENTRAL GOVERNMENT : THE SCRUTINY
PROGRAMME 1981

In your letter of 17 December you asked that Ministers
submit by today proposals for scrutinies for their
departments.

..... I am attaching pro formas detailing the relevant
information on the scrutinies which the Chancellor
of the Exchequer proposes be undertaken in his four
departments.

I am sending a copy of this letter and attachments to
Sir Derek Rayner.

Yours ever,

Richard Tolkien

R.I. TOLKIEN
Private Secretary

RAYNER SCRUTINIES : PAYE PROCEDURES

a. SUBJECT : PAYE FILES AND THEIR CONTENTS

The Department creates a file and concard for each of the 27.5m sources of taxable emoluments subject to PAYE known to it. All post, whether generated within or without the Department is filed. That which is of no permanent value is eventually destroyed. It is proposed that the Department consider the need to create and maintain a file for each source of emoluments.

b. THE COST

The cost of creating and maintaining PAYE files is of the order of 200-300 man years.

c. REASONS FOR SELECTING THE SUBJECT

The 27.5m sources of taxable income can be split between main sources (20.5m) and subsidiary sources, including married women (7.0m).

For the main source taxpayer to whom a return is not issued annually and whose code reflects only the Higher Personal Allowance or the Lower Personal Allowance (possibly augmented by Flat Rate Expenses) there is unlikely to be anything of permanent value in the file. For subsidiary sources there is again unlikely to be anything of permanent value in the file. If these files were to be eliminated movements work would be reduced.

For the remainder of files it may be possible to destroy post after action rather than file it. One obvious candidate is the form 13N-1 (statement of Building Society Interest). Having recorded details on the concard it may be unnecessary to file the document.

The minimum saving is likely to be the elimination of

- i. 3m file changes
- ii. the filing of 3m forms 13N-1

There would be additional savings on weeding reviews and also stationery savings.

d. TERMS OF REFERENCE

To consider

- i. the need to retain paper files for concards which are not marked for the issue of an annual return and if appropriate to advise the most economical method of dispensing with any unnecessary existing files;
- ii. whether defined pieces of post can be worked from the concard and destroyed after action;

e. PROPOSED STARTING AND FINISHING DATES

The beginning of September 1981 - 30 November 1981.

f. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

It has yet to be decided who will lead the scrutiny. The Report will go in the first instance to the Minister of State (Lords).

RAYNER SCRUTINIES : REPAYMENT PROCEDURES

a. SUBJECT : REPAYMENT PROCEDURES IN CLAIMS AND PAYE SECTIONS OF TAX DISTRICTS

Where tax has been overpaid it is generally repaid by means of a Repayment Order of which the Department issues about 7m annually with a value of approximately £3 billion. It is estimated that about 1,300 staff units are involved in the process which, for security reasons, has somewhat elaborate preparation, checking and issuing procedures. After the Repayment Orders have passed through the Banking system there are further checks made by the Central Accounting Office within the Department.

b. THE COST

This is almost wholly the staff cost amounting to 1,300 units.

c. REASONS FOR SELECTING THE SUBJECT

The Department's procedures which culminate in the issue of a Repayment Order are based upon the principle that the Order is a security document, to be held by an Inspector under lock and key and issued in typed form only after detailed checking. Although the subject of some minor changes within the last year there has been no major re-appraisal in recent years of our efforts in this general area. It now seems appropriate to consider whether the comprehensive security arrangements can be further relaxed and whether the repayment can be calculated and presented in a more informal fashion. In this connection we note that many of the payments made by DHSS are handwritten Giro cheques. Any change in the presentation of the Repayment Order would have inevitable consequences at Central Accounting Office, Worthing.

d. TERMS OF REFERENCE

To review (in consultation with Exchequer & Audit Department as appropriate) the procedures associated with the preparation, checking and issue of Repayment Orders in Tax Districts and to consider the impact of any recommended changes in procedure on the Central Accounting Office

e. PROPOSED STARTING AND FINISHING DATES

The beginning of April 1981 - end of June 1981

f. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

It has yet to be decided who will lead the scrutiny. The Report will go in the first instance to the Minister of State (Lords).

RAYNER SCRUTINIES : VALUATION OFFICE'S REFERENCING OF THE PSA ESTATE

(This study was suggested by the Inland Revenue Staff Federation)

a. SUBJECT : REFERENCING THE PSA ESTATE

PSA have undertaken to survey the whole of the civil estate in a two year programme, and thereafter to inspect Government offices and other holdings every two years. As part of this programme staff in the Inland Revenue's Valuation Office have for the past 13 months been undertaking work for the PSA, though only on a temporary basis: the work is undertaken only at the PSA's request, and where the VO has staff available; and as staff numbers in the VO continue to run down the work will be discontinued.

b. 1400 cases have been referred to the VO and surveys of 900 have been completed. The cost was some 14 staff units (at a full absorption cost of around £140,000). As there are something over 9,000 properties in the PSA Estate this accounts for about one-tenth of the total. The VO costs are borne as a common service on the Inland Revenue's Vote.

c. REASONS for the selection are the need to decide:

- i. whether the Inland Revenue's Valuation Office can usefully assist the PSA by providing information about Government property,

and if so,

- ii. what staff resources the VO should devote to this work, and
- iii. what benefits would flow from regular monitoring by the Valuation Office of accommodation occupied by the Government.

d. TERMS OF REFERENCE [to be agreed with PSA]

To consider whether there is scope for using VO staff on a continuing survey of the civil estate of the PSA, identifying the benefits likely to be derived therefrom and the costs.

e. PROPOSED STARTING AND FINISHING DATES

To be decided but could start early in the New Year.

f. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

It has yet to be decided who will lead the scrutiny. The Report will go in the first instance to the Minister of State (Lords).

RAYNER SCRUTINIES : COMPUTERISATION IN RATING AND VALUATION

a. SUBJECT : AUTOMATIC DATA PROCESSING IN THE VALUATION OFFICE

The Valuation Office receives information concerning approximately 1.25m property transactions, and additionally carries out about 300,000 revenue and compensation valuations and negotiations each year.

In the rating context, in order to maintain the current valuation lists about 1m valuations pa are made.

b. THE COST

The present costs of recording the property transactions alone is in the region of £850,000. This does not include recording case work, retrievals or the rating work.

c. REASONS FOR SELECTING THE SUBJECT

The transaction data is recorded manually twice, firstly according to the subject matter and secondly according to geographical location. It has to be retrieved by visual scanning to provide precedents and proofs for new valuations and to provide data for returns indicating economic trends.

The 1m rating cases are controlled by paper dockets which have to be visually scanned frequently to ensure that action is taken within statutory time limits, and monthly returns are derived from physical counts of the dockets.

A micro computer system could retrieve data for all purposes at the expense of one input in place of two and save all the paper used for recording the transactions etc.

In the rating field, time limits could appear automatically and the returns be produced by program.

Spare capacity could be utilised for stock control and establishment matters. Also, modern valuation techniques may well in future require ADP programs in view of the complex mathematics involved.

The savings envisaged as regards transaction data include:

- i. recording the data once only;
- ii. more rapid retrievals leading to higher output;
- iii. more comprehensive retrievals leading to better valuations;
- iv. saving of time in preparation of returns.

As regards rating the savings would include (iv) above and to a lesser degree (ii).

d. TERMS OF REFERENCE

To identify blocks of work where the application of micro computers would be cost beneficial with particular reference to:

- i. a computerised data bank;
- ii. a control system for current rating work, and
- iii. modern techniques of valuation.

e. PROPOSED STARTING AND FINISHING DATES

The beginning of February 1981 - end of May 1981.

f. SCRUTINY OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

It has yet to be decided who will lead the scrutiny. The Report will go in the first instance to the Minister of State (Lords).

HM TREASURY: PROPOSED RAYNER SCRUTINY

Subject The typing and secretarial services in the Treasury

Background Because the Treasury is a policy-making Department, with a high proportion of staff at senior levels - 7% are Assistant Secretaries or above compared with 0.3% for the Service generally - it has a relatively large requirement for typing and secretarial services. There were 167 staff in post (at 1.9.80) engaged in providing these services, including 7 supervisory staff and 30 agency staff. Shorthand, audio, copy-typing and duplication are undertaken by allocated typists, pool typists, word-processing, Committee Section and the Central Reproduction Unit.

Cost The cost of these services, as at 1 April 1980, was £1,792,000 (based on Ready Reckoner costs, adjusted for the use of agency staff). 1980-81 Estimates provision - i.e. excluding accommodation and superannuation - was £1,001,200, of which £319,000 was agency staff.

Reasons for the Study

- (i) Because of its involvement in policy work, the Treasury has a special need for fast and high quality typing and secretarial services. The present quality of these services is not fully satisfactory. On the supply side, there are persistent difficulties in recruiting and holding staff in central London and the deficiencies have been partly met by use of agency typists.
- (ii) A study of these services forms a complement to the already completed Rayner study on registry and clerical services, which proposed far reaching and beneficial changes in organisation of one part of the Treasury's supporting services.

(iii) There is an unprecedented advance in office technology at the moment: account needs to be taken of this not only in short term changes, but in moving towards an organisation compatible with the more radical developments which seem possible in the medium term.

Terms of reference

"To examine the role, organisation, activities and cost-effectiveness of the typing and secretarial services in HM Treasury (including reproduction and committee sections); to consider what service should be provided and the most economical way of providing it; and to make recommendations."

Proposed starting and finishing dates

After the Budget, to be completed within 90 working days.

Names of examining officers and Ministerial reporting arrangements

[To be settled later]

a. SUBJECT : VAT REGISTRATION

The control of VAT is based on a register of taxable persons which is maintained on a central computer at Southend. There are currently about 1.3m registered persons but each year there are about 160,000 new registrations with a slightly smaller number of deregistrations. Maintenance of the register also involves alteration to the particulars held on the register when for example there is a change of address or a change in the legal status of the business. Although the register is maintained centrally, the majority of the work in connection with alterations to it is carried out in local offices. The proposed review would examine the procedures for dealing with new registrations and for amending details of existing registrations.

b. COSTS

It is estimated that about 500 staff are engaged on registration work at an annual cost of about £5m (including accommodation and common services).

c. REASONS FOR SELECTING THE SUBJECT

The control and collection of VAT is one of the major functions of Customs and Excise and registration procedures involve a significant number of staff as well as being inherently staff intensive. The Department's judgment is that within the VAT field a scrutiny of these procedures offers good potential for realising worthwhile benefits. The intention would be to follow up the review of registration procedures with an internal review of deregistration procedures.

d. TERMS OF REFERENCE

"To consider the need for all the information presently required from persons notifying for VAT registration; to examine the procedures for dealing with new registrations and for amending existing registrations; to consider the need for these

procedures and to identify the scope for improvements and economies (especially in straightforward cases not involving, e.g. group or divisional registrations); and to make recommendations."

e. PROPOSED STARTING AND FINISHING DATES

2nd March 1981 - middle or end July.

f. EXAMINING OFFICERS AND MINISTERIAL REPORTING ARRANGEMENTS

The scrutiny will be led by Mr D Tweddle, Principal, Management Services Division, who will report to the Minister of State (Lords), on his return from a secondment to industry.

a. SUBJECT : CUSTOMS ATTENDANCE

Customs attendance at ports and airports broadly speaking is provided without charge during normal working hours. At the larger ports and airports, where there is a high level of traffic, the hours of free attendance may stretch from early in the morning until well into the evening. Outside the hours of free attendance, Customs staff are provided in order to facilitate trade but charges are made for attendance. These charges have been kept down over the past few years and they do not now represent the full cost of providing Customs attendance. As such they do not serve to restrain trade demand and in consequence the Customs are often asked for, and indeed have to provide, attendance in circumstances which are very costly in terms of manpower without being able to recoup their costs. The proposed review would examine the basis on which Customs facilities are provided and charged for.

b. COSTS

The cost of trade facilitation is not known and the review would seek to identify it. The total number of staff employed on customs work (including preventive and associated work) is in the region of 7,500 at a cost of about £73m per annum in salary, with a further £15m per annum in shift and overtime payments. Against this the Department receives more than £4m per annum in attendance charges, but not all in respect of Customs attendances.

c. REASONS FOR SELECTING THE SUBJECT

Attendances to facilitate trade appear to involve the Department in a high manpower cost and give rise to high overtime and shift payments. Present manpower constraints are increasingly requiring difficult decisions where new or extended facilities are sought. The existing arrangements have grown up over a number of years and in the present economic circumstances it is considered appropriate to review the policy in respect of both the level of provision of attendance and the scope and level of charges.

d. TERMS OF REFERENCE

"To examine:

1. the criteria by which Customs manpower and other resources are provided for the facilitation of importation and exportation of goods and the clearance of passengers, with particular reference to:
 - (a) the places and hours at which official attendance is provided, including hours of opening of Customs offices;
 - (b) the arrangements for providing additional attendance; and
 - (c) the costs incurred by the Department for such facilitation;
 2. the criteria for granting new facilities and reviewing the continued provision of existing facilities;
 3. the basis on which charges for attendance are and should be made;
- and to make recommendations."

e. PROPOSED STARTING AND FINISHING DATES

2nd March 1981 - middle or end of July.

f. EXAMINING OFFICERS AND MINISTERIAL REPORTING ARRANGEMENTS

The scrutiny will be led by Mr P E St Quinton, Principal, who will report to the Minister of State (Lords). Mr St Quinton is an Assistant Collector in Northampton Collection, and has previously worked on central staff inspection in CSD.

DNS RAYNER SCRUTINY FOR 1981

INVESTIGATION OF PO ERRORS

(a) Subject

The transaction documents for deposits and withdrawals in National Savings Bank accounts, purchases and repayments of Premium Savings Bonds and repayment of National Savings Certificates and Save as You Earn contracts made at the PO counter are forwarded to DNS where weekly totals for each Post Office are built up for comparison with the amounts reported by the Post Offices to PO Finance Branch in their individual cash accounts. When discrepancies are revealed the reasons are investigated and where necessary action is taken for adjustments to be made by the individual Post Office.

The proposal is that the procedures should be examined to consider if the costs justify the result and whether the procedures could be discontinued or simplified without any serious consequences to the Post Office, DNS and the customer.

(b) Costs

The costs of the staff concerned with the investigation of PO Errors has been estimated to be approximately £712,000 per annum but part of the work produces the internal control figures essential for the accurate updating and maintenance of the Department's records which would still be required (with consequential staff costs).

(c) Reasons for selecting the subject

The cost of investigating and correcting these errors may now be disproportionate to the amount of the net error between the PO and DNS.

(d) Terms of reference

1. To examine the procedures and cost of investigating discrepancies between the value of documents received in DNS and cash reported by Post Offices.
2. If the procedures were simplified or discontinued to consider what the effects would be on:
 - 2.1 the amounts of NS business brought to account at the Bank of England;
 - 2.2 the Post Offices;
 - 2.3 the accuracy of Departmental records;
 - 2.4 the customers.

3. If the procedures are to continue in some form, should the investigation and correction, in the case of NSB, continue to be carried out by DNS or should they be undertaken by the PO as they are for the other saving media.

4. To make recommendations accordingly.

(e) Proposed starting and finishing dates

Start: 1 March 1981
Finish: 1 June 1981

(f) Names of examining officers, if known, and reporting arrangements

Examining officers - not yet decided.

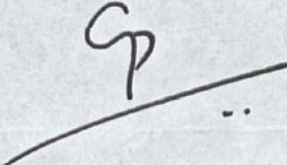
Reporting to the Minister of State (Lords) in consultation with Sir Derek Rayner and the Director of Savings.

Mr GAFFIN

cc for information

✓ Sir Derek Rayner o/r
Mr Pattison
Mr Buckley
Mr Green
Mr Colman
Mr Wright
Mr Jarman

1. Thank you for your minute of yesterday, about which you rang me this morning.
2. Sir Derek Rayner is content to see Mr Hennessy. The only other "media commitment" we have on hand at the moment is that commended by you (your minute of 7 November), an interview with Mr Steen of the Sunday Telegraph, leading to a "profile article". (That interview will take place on 21 January.)
3. On the basis of your advice, I shall recommend that the interview with Mr Hennessy should be either towards the end of this month or in the second half of February, depending on the state of Sir Derek's diary.


C PRIESTLEY
9 January 1981



*Mr. CAW to see
121*

NBPM.

MA 81

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

Francis Pym sent me a copy of his minute of 31 December about the two new studies on financial management which are in progress in the Ministry of Defence.

2. John Biffen and I had been briefed in advance about these studies. We welcomed them, and hope that they will lead to a material improvement in financial control, the need for which has been made manifest by the developments this year which have led to the major forecast cash limit overspend. Treasury officials are of course ready to assist in the studies in any way they can.

3. I am sending copies of this minute to John Nott, Keith Joseph, Christopher Soames, Sir Robert Armstrong and Sir Derek Rayner.

(G.H.)

8 January 1981

CONFIDENTIAL

1

PRIME MINISTER

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

You saw last week Mr. Pym's minute at flag A about two studies dealing with financial management in the Ministry of Defence which are now in progress.

Since then we have had the minute at flag B from Mr. Priestley (which Sir Derek Rayner has subsequently endorsed). The two articles which Mr. Priestley has sent with his minute are interesting but they only confirm what you already know about the weaknesses in the MOD organisation and about the possible remedies and I do not suggest that you should spend time reading them carefully.

Mr. Priestley suggests that we should take advantage of Mr. Pym's minute to suggest that the MOD should go further than the two studies now in hand and undertake an examination of the question of fundamental rationalisation of the organisation of defence. You, quite rightly, want to see the MOD reorganised to make it more efficient, but I doubt whether Mr. Priestley's proposal is the right way of going about it. Had Mr. Pym remained as Secretary of State for Defence, I think that perhaps we could have done what Mr. Priestley is proposing, even though it is a big jump to add on to the studies on financial management an exercise on defence reorganisation. But I think that it would be unfair to Mr. Nott to put this proposal to him so early after his arrival at the MOD: at best we should appear to be forcing his hand before he has had time to look round himself in his new Department; and at worst it would confirm the suspicions which have already had widespread currency in the media that you have sent him to the Department as your hatchet man. He is of course already aware of your concern about the organisation of the MOD and he knows that this is something to which he must turn his attention as a matter of priority. I think that it would be better to give him an opportunity of taking stock of the Department and making up his own mind about how he wants to tackle the problem. Do you agree?

Yes

/If you do,

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CONFIDENTIAL

- 2 -

If you do, then I will write to Mr. Nott's Private Secretary drawing on only the first three paragraphs of the draft letter attached to Mr. Priestley's minute.

*Amend
no*

JWW.

8 January 1981

CONFIDENTIAL

Blind Copy

Mr Pattison



CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8550

8 January 1981

J P Channing Esq
Private Secretary
Secretary of State for
the Environment
2 Marsham Street
London SW1

Dear Jeff

REPAYMENT FOR PSA SERVICES

I enclose the draft submission to the Prime Minister referred to in Sir Derek Rayner's letter of 7 January to your Secretary of State.

Yours
Dave Allen

D R ALLEN

PRIME MINISTER

Repayment for PSA Services

1. You asked me to make proposals on repayment for PSA services, in consultation with the Secretary of State for the Environment and others, for consideration by Ministers.

2. I gladly acknowledge the substantial help that I have had from a small group of officials, chaired by Mr Peter Kemp (Under Secretary, HM Treasury) and including representatives of the PSA, CSD, Rating of Government Property Department and my office.

3. My proposals are contained in the attached self-contained minute covering the group's report. Very briefly these are -
 - a. The UK Civil Estate to be on repayment, but on a simpler, less bureaucratic basis than applies to existing repayment clients.

 - b. All Departments to pay PSA Supplies direct for furniture, transport etc; also to pay PSA for fuel and utilities.

 - c. Existing arrangements with regard to the MOD Estate and FCO Diplomatic Estate overseas broadly to stand. But ways of keeping MOD and FCO aware of the value of the assets they are using to be devised.

4. The Chancellor of the Exchequer and the Lord President of the Council support my proposals.

5. The Permanent Secretaries of some of the larger Departments have argued that if they are to bear the costs of accommodation they should be given greater freedom and responsibility and a say in the money available for accommodation purposes.

[6. The Secretary of State for the Environment supports the objective to ensure that Departments are alive to the cost of accommodation services they require. But he is concerned at the staff cost of operating the repayment system (estimated at 60 staff, £683,000 pa) as against the incalculable benefits. He has suggested instead that consideration should be given to a more refined supporting statement in Estimates ("attribution") and PSA-imposed accommodation ceilings and targets for reductions in space occupied. You may wish to discuss this with us.]

7. I am convinced that a pre-requisite to effective management is that Departments should pay for everything that they consume. I accordingly recommend acceptance of my repayment proposals as providing a sound and practicable basis for promoting a greater awareness of and changed attitudes towards the cost of accommodation and related services. They are capable of refinement and development but it is important first to get repayment on the road.

8. I invite you to agree that my proposals should be brought forward for Ministerial consideration and that this should be done by circulating the attached minute and accompanying report to all Ministers in charge of Departments. You might think that the most effective way of dealing with the proposals would be at a meeting of Cabinet. If so, I should be glad to make myself available to explain the proposals and to answer questions.

9. I am copying this to the Chancellor of the Exchequer, the Lord President of the Council, the Secretary of State for the Environment and Sir Robert Armstrong.

DRAFT OF 8 JANUARY

PRIME MINISTER

REPAYMENT FOR PSA SERVICES

1. You asked me to report on the possibility of providing PSA's services on repayment terms.

Report by officials

2. I have been greatly helped by a small group of officials chaired by Mr Peter Kemp (Under-Secretary, Treasury) and including representatives of the Property Services Agency, the Civil Service Department, the Rating of Government Property Department and my office. I attach their report to me which I think is excellent.
3. The group's advice is this -
 - a. Office, storage and specialised accommodation (the United Kingdom Civil Estate) should henceforth be provided by PSA on "repayment" terms, but on a simpler, less bureaucratic basis than applies to existing repayment clients.
 - b. All Departments (except the Foreign and Commonwealth Office, in respect of the Diplomatic Estate overseas) should pay PSA Supplies direct for furniture, transport, furnishing etc; they should also be charged for fuel and utilities.

c. Existing arrangements with regard to the Ministry of Defence Estate and the Diplomatic Estate overseas should broadly stand for the present. (The cash outgoings are already borne on the two Departments' PES.) But ways of keeping the Ministry of Defence and Foreign and Commonwealth Office aware of the value of the assets they are using should be devised.

4. I disagree with officials on one point only - their proposal to exempt the Foreign and Commonwealth Office's Diplomatic Estate overseas from paying direct for the goods and services provided by PSA Supplies. I cannot readily envisage the "administrative complications" which caused them to make this exemption and incline to recommend that they be put on the same footing as everyone else. However, further insight should be provided by a recently commissioned joint FCO/PSA review of the FCO Diplomatic Estate overseas, due to report at the end of January. I advise Ministers await that report before moving to a final decision.

Recn 1

5. Subject to that point I recommend acceptance of the Group's proposals as a sound basis for action soon in promoting efficiency and economy in the use of accommodation.

The need for repayment on the office, storage and specialised estates

6. My philosophy is simple: the provision of goods and services free on demand discourages efficiency and economy in their use. This is the fundamental weakness of the "allied service" system of providing accommodation and associated services in Government.

7. The present arrangements on the United Kingdom Civil Estate are that Departments define their accommodation and related requirements year by year and PSA pick up the bill. (In 1979/80 this amounted to £427 million). Departments are thus generally free from the practical necessity to consider the cost of accommodation as part of the price of their own administration and to define need with an eye to cost. PSA on the other hand are suspect to budgetary pressures and constraints. This gives neither party complete satisfaction in the efforts to balance needs and availability.

8. Of course, the simple act of paying for something will not of itself ensure efficiency and effectiveness in the use of resources. But it is an essential ingredient to sound management with the rest being provided by managers questioning costs against a firmly controlled budget. That act of management is most effectively done at the point where the costs are determined, trade-offs can be made against other administrative expenditure and control can be exercised ie in the Departments.

9. I therefore readily endorse, and commend to Ministers, the group's proposal (paragraphs 4.1 and 4.2) that for office and storage accommodation Departments should bear on their own PES programmes and Votes the cost of rent (current market equivalent levied on owned and rented property alike), rates, maintenance and minor works and, in the case of the specialised accommodation (eg courts, laboratories), should in addition to paying the

ongoing costs bid in PES for major new capital works. *

Departments would also bear the cost of fuel and utilities (para 4.8).

10. Similarly, I endorse the proposal (paragraph 4.7) that Departments should pay PSA Supplies direct for furniture, transport etc. PSA Supplies are already a Trading Fund but at present sell their services to the rest of PSA for distribution to Departments occupying the Civil Estate free on allied service terms. I can see no advantage to retaining the role of PSA as a middle man to set against the advantages of a change to direct trading, which are as for charging for accommodation generally. Moreover the services of PSA Supplies are similar in nature to those of HMSO, which went onto repayment in April 1980.

11. There is, to my mind, no effective intermediary step between the present "allied service" system and repayment (though, as I will argue below, my proposals are capable of refinement).

12. The group rejected - and I agree - the less radical alternative to present arrangements of "attributing" costs to user Departments' Votes ie as a supporting statement in Estimates (paragraph 3.8). To display publicly information along the lines of that recently made available to Departments in the annual scrutiny of running costs would be of limited benefit in securing

* The cost of major new works on the "common user" office and storage estate would continue to be borne on PSA's Vote and PES.

greater efficiency in the use of accommodation. Departments would still be in the position of defining and defending their needs in the absence of a budget, with the onus of questioning costs continuing to reside in the PSA, one step removed from where they arise.

13. Another alternative - not considered by the group but put to me separately - is to have PSA draw up departmental space ceilings and targets for reductions in space occupied. I find it difficult to envisage the "visible hand" of PSA being more efficient at ensuring effectiveness in the use of accommodation than the "hidden hand" of a budget operating at the point where accommodation requirements are defined.

The mechanics of the repayment system proposed

14. The mechanics of the repayment system proposed have been designed to keep the costs of operating the system to a minimum. In particular the calculation of the accommodation charge levied by PSA (covering rent, rates, maintenance and minor new works) will avoid a detailed building-by-building, job-by-job analysis. For example, on the office and storage estates, the rent per square foot will be an average current market rental by geographical zone (of which there will at first be 12), taking into account the mix of properties in each zone, rather than being specific to each property. With regard to maintenance and minor new works Departments will not be billed for each job carried out on their properties. Instead, the total PSA maintenance and minor new works bill for each estate will be allocated to Departments according to the square footage occupied.

15. To do otherwise for the 8000 plus holdings on the United Kingdom Civil Estate would be cumbersome and expensive in PSA and Departmental staff effort, as has been experienced with existing repayment clients. (My proposals will require an estimated 60 staff (£683000) in PSA while Departments should be able to absorb the extra work within existing allocations.)

16. What this means in practice is that Departments will only be able to influence their accommodation costs by varying the quantity and geographical zone. Moving buildings in the same geographical zone, for example, will have no effect. Nor will varying the quality of accommodation occupied.

17. Moreover PSA will retain their responsibility for central estate management, and therefore for matching clients' precise requirements with available space, and for maintenance on the estate. Thus Departments will have no more freedom of choice than now on the precise accommodation occupied. Though I would expect a better informed business relationship as Departments begin to question for themselves the costs of their accommodation.

18. PSA will also retain control over the provision of major new works on the office and storage estates, the expenditures being borne on PSA's PES and Vote. The satisfaction of Departmental new works requirements will thus continue to be dependent on the

amount of money available to PSA for these purposes, decisions on which will remain with the Secretary of State for the Environment.

Too blunt an instrument?

19. The repayment system as proposed is capable of refinement. The group recognise this in their report (section 9). I myself lay particular emphasis on the need to refine the rental zones to cover a smaller geographical area and more accurately reflect market conditions, (especially in London). I also have much sympathy with the argument that if Departments are to bear the costs they should have a greater say in determining priorities and influencing the amount of money available for accommodation purposes. Ways need to be found, for example, to ensure that departmental demands for the rearrangement of accommodation, aimed at reducing the overall cost of administration, are not frustrated by a shortage of PSA money.

20. I believe however that all this should be registered for consideration and development after getting the repayment proposals on the road towards implementation - a big enough step and task in itself.

Taking the proposals forward

Recn. 2

21. I recommend that if Ministers accept the proposals the group of officials which has helped me should be charged with the task of building upon the repayment system proposed. They have the expertise to enable them to do so. It would need to be expanded somewhat to include representatives of the client departments. I suggest that it should report to the Secretary of State for the Environment and me.

MOD Estate and FCO Diplomatic Estate overseas

22. Officials do not propose putting the Defence and Diplomatic Estates onto repayment. There are practical problems in squeezing such large and diffuse estates into the repayment mould designed for the Civil Estate. In particular, because the properties are often highly specialised the computation of current market rents would require valuation of individual holdings. This would be a costly exercise when one considers for example that the Ministry of Defence estate covers 432,000 hectares of land at home and abroad, being a mixture of airfields, training, agricultural etc, and that the overseas estate is scattered across 132 countries.

23. These estates are already part way down the repayment road in that annual cash outgoings (£679M in 1979/80) are borne on the Department's PES. But as the report points out, this does not create any charge in respect of owned assets and, in the case of rented accommodation, it does not reflect current market rents. The Departments thus only have a partial picture of the resources tied up in their accommodation.

24. Accordingly, I advise acceptance of the group's proposal that ways of keeping MOD and FCO aware of the value of the assets they are using should be devised. A more specific study of each estate should be undertaken. These should be got on with quickly. The terms of reference and the method (including who should do the work) will have to be devised carefully. That concerning the Diplomatic Estate overseas will need to take into consideration the outcome of the joint PSA/FCO review to which I referred in para 4 above.

Conclusions

25. I recommend Ministers to accept the repayment proposals.
26. If they do, I also recommend that:
- a. PSA should be authorised to get on with the necessary accounting arrangements with a view to a trial run in 1982/83 (which will mean being geared up and ready to go in time for Estimates - late Autumn - 1981) and going fully live in 1983/84.
 - b. The group of officials that has helped me should be retained to recommend to the Secretary of State for the Environment and me ways in which the system should be further developed.
 - c. The Secretaries of State for Defence and Foreign and Commonwealth Affairs should be invited to set up the recommended studies of the Defence and Diplomatic Estates.
27. I shall be happy to give such advice as I can on any point covered by this Minute.

DEREK RAYNER

8 January 1981

Enc: Report of an Interdepartmental Group on Repayment for Services Provided by the Property Services Agency



✓ MPA

PRIME MINISTER

I have considered possible subjects for scrutiny in the Welsh Office as a contribution to Sir Derek Rayner's programme for 1981. My proposal is for a study of the levels of Executive Officer (Field) inspections in respect of livestock allowances and premia payments. I believe this study would enhance the efficiency of our Agriculture Department and enable us to avoid taking on new staff. The details of this proposal are annexed.

This proposal is in addition to the involvement of the Welsh Office in the scrutiny of HM Inspectorate of Schools in England and Wales.

I am copying this minute to Sir Derek Rayner and to the Minister of Agriculture, Fisheries and Food.

R

8 January 1981

RNE

RAYNER SCRUTINY

<u>SUBJECT</u>	The levels of Executive Officer(Field) inspections in respect of livestock allowances and premia payments.		
	Clients served	Welsh farmers	
	Numbers of claims per annum	Hill Livestock Compensatory Allowances (HLCA)	11,000
		Suckler Cow Premium Scheme (SCPS)	9,000
		Sheep Annual Payments Scheme (SAPS)	16,000
			<u>36,000</u>

Estimated payments 1981/82

HLCA	£23m
SCPS	£ 2m
SAPS	£ 9m
	<u>£34m</u>

COST

Estimated cost for HLCA and SCPS and SAPS in less favoured areas	£146,000
SCPS for lowland herds (3000 ÷ 4 x £14.60)	11,000
SAPS for lowland flocks (6000 ÷ 6*x £14.60)	14,500
*Divider increased to allow for joint inspections with lowland SLPS claims	
	<u>£171,500</u>

REASONS FOR SELECTION

Different rates of annual inspection are at present required: 100% inspections for HLCA claims in respect of cows but a 25% rate for HLCA sheep claims, SCPS and SAPS.

TERMS OF REFERENCE

To examine the rates of field inspection for claims in respect of livestock allowances and premia with a view to determining minimum levels required for each scheme and for each class of stock under HLCA while still providing adequate protection for the Accounting and Sub-Accounting Officers. The need for additional EOs(F) to administer field work in new schemes may be avoided if inspection rates can be lowered.

PROPOSED STARTING AND FINISHING DATES

To be determined.

EXAMINING OFFICERS

To be selected.

/Note

Note: All costing figures are no more than broad estimates. We have not yet completed one year's inspections for SCPS and no claims for the new Sheep Annual Payment Scheme have yet been received. The figure of £171,500 must therefore be viewed with caution: travelling and subsistence costs would need to be added and could reach about £37,000 - £40,000 in a full year.

Any changes would require consultation with MAFF.



MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

The Rt Hon Margaret Thatcher MP
10 Downing Street
London
SW1A 0AA

8 January 1981

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

I enclose, for inclusion in the 1981 scrutiny programme, a proposal for the scrutiny of certain routine laboratory tests at present carried out by the Agricultural Development and Advisory Service of my Department.

I am copying this minute and enclosure to the Secretaries of State for Wales, Scotland and Northern Ireland and to Sir Derek Rayner.

PETER WALKER

RAYNER SCRUTINY 1981 - MAFF

a. Subject

Routine laboratory testing -

and certain related tests

- (i) the Rose Bengal Plate Test (RBPT) ~~for~~ monitoring brucellosis in all beef herds and of young stock in dairy herds, now carried out by Veterinary Service staff at three centres - Weybridge, Worcester and Lasswade (near Edinburgh).
- (ii) testing of samples for the Intervention Board for Agricultural Produce, now carried out in regional laboratories of the Agricultural Science Service, the main commodities being butter and skimmed milk powder (SMP) for intervention buying, together with liquid skimmed milk and SMP for animal feedingstuffs under CAP subsidy schemes.

b. Costs (1980/81 financial year)(i) RBPT *and related tests*

Man-years	90
Staff costs	£731,000
Other costs	£133,000

(ii) IBAP samples

Man-years	28
Staff costs	£230,000
Other costs	£30,000

c. Reasons for selecting this subject

- (i) Milk Ring Testing (MRT), for brucellosis monitoring of dairy cows, has already been contracted out to the Milk Marketing Board. The RBPT might also be contracted out: the contractor would have to be a quasi-official organisation to meet European Community requirements.
- (ii) Routine testing for IBAP diverts the Agricultural Science Service from its primary role and the work may be within the capability of Public Analysts.

d. Terms of reference

To examine, with reference to cost, efficiency and effectiveness the involvement of the Veterinary Service in the Rose Bengal Plate Test ^{and certain related routine tests} for brucellosis and of the Agricultural Science Service in routine laboratory testing for the Intervention Board for Agricultural Produce; and to make recommendations.

e. Proposed starting and finishing dates

Start: 21 April 1981 (subject to the availability of suitable staff)

Finish: 28 August 1981

f. Examining officer and reporting arrangements

Examining officer - a Principal or an officer of equivalent rank yet to be selected.

Reporting arrangements - to the Minister of Agriculture, Fisheries and Food, in consultation with the Permanent Secretary MAFF and Sir Derek Rayner's unit. The report will be of interest to the other Agriculture Ministers in the United Kingdom.



Several PPs

✓ MAA

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400
Switchboard 01-213 3000 GTN 213

Clive Whitmore Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON SW1

8 January 1981

Dear Clive.

EFFICIENCY IN CENTRAL GOVERNMENT : THE SCRUTINY PROGRAMME 1981

In response to your letter of 1 December, my Secretary of State has asked me to put forward the enclosed proposals for scrutinies. They comprise one each from the Department, the Manpower Services Commission and the Health and Safety Executive as follows -

- (1) DE - developing a management information system in the UBS
- (2) MSC - reviewing the way the employment service handles disabled people; and
- (3) HSE - looking at arrangements for certification and approval.

I am copying this letter to David Wright in the Cabinet Office, to Mr Ibbs and Sir Derek Rayner.

Your
as

Richard Dykes

R T B DYKES
Principal Private Secretary



DEPARTMENT OF EMPLOYMENT PROPOSAL FOR RAYNER SCRUTINY 1981

Subject:

Unemployment Benefit Service (UBS): development of a management information system based on the existing pilot experiment and examination of the appropriate relationship between this and inspection and audit.

Cost of UBS on DE vote:

Salaries and general administrative expenditure:	£85m
--	------

Common service expenditure on votes of other Government Departments:	£30m
--	------

Benefits paid out to value of £1,500m annually.

Reason for selecting the subject:

The management and control of the efficiency of the UBS is an important subject. This relates to both the accuracy of the payments made and the extent to which procedures are being operated correctly in local offices. The Johnston Rayner team did not have time to cover this area. Some preliminary work has been done on developing a Management Information System using particularly data from the computers. Further development of this may have implications for more economic local office procedures and checks, for reducing overpayment of benefit, and for the effectiveness of the work of inspectors and auditors.

Terms of reference:

In the light of work already done, to examine the further development of a management information system in the UBS and its implications for the work of regional inspectors and auditors, with the objects of securing -



(a) the most effective and economic use of staff both in local offices and in audit and inspection of those offices;

(b) better quality service to claimants; and

(c) reduction of benefit overpayments.

The dangers of such systems eg mechanistic targetting, strait-jacketing and comparisons which take no account of differing circumstances should be borne in mind.

Proposed starting and finalising dates:

The project should start in Juen 1981 and last for 3 months.

Examining officers:

Not yet known.

Ministerial reporting arrangements:

Lord Gowrie.

Department of Employment
January 1981

PROPOSED "SCRUTINY" IN HSE

SUBJECT: WORK IN HSE RELATED TO THE ENFORCEMENT OF SECTION 6 OF THE 1974 HSW ACT WHICH LAYS OBLIGATIONS ON DESIGNERS, MANUFACTURERS AND SUPPLIERS OF ARTICLES AND SUBSTANCES FOR USE AT WORK.

The study will embrace HSE activities related to approval, testing and certification of products and to the use made of external certification or approval authorities.

COST: Work of this kind is scattered throughout HSE but it probably amounts to £2M. a year.

REASONS FOR SELECTING THE SUBJECT:

HSE has inherited many schemes for certification or approval of particular types of equipment and new arrangements are coming forward through EEC and elsewhere. Consideration is being given, following CPRS studies, to these issues throughout government. We need to take a systematic look at what needs to be done within HSE in this field and how it can be organised most efficiently and economically.

TERMS OF REFERENCE:

To examine HSE's responsibilities in relation to Section 6 of the 1974 Act and in particular arrangements for certification or approval of particular types of equipment or other products. To recommend the most effective and economic ways of carrying out work needed in this field.

DATES OF STUDY:

It is proposed to start the study in January 1981 and to complete it in 3/4 months.

EXAMINING OFFICERS:

The study will be under the general supervision of Dr Cohen of the HSE Planning Branch. The work will be carried out by an officer to be determined.

The Report will be made to the Health and Safety Executive who will report to the Chairman of the Health and Safety Commission on its outcome.

6 January 1981

MANAGEMENT IN CONFIDENCE

MANPOWER SERVICES COMMISSION

SCRUTINY PROGRAMME 1981:
RESETTLEMENT OF DISABLED PEOPLE IN EMPLOYMENT

Subject

1. Under the Disabled Persons (Employment) Act 1944 a disabled person is "a person who on account of injury, disease, or congenital deformity, is substantially handicapped in obtaining or keeping employment, or in undertaking work on his own account, of a kind which apart from that injury, disease or deformity would be suited to his age, experience and qualifications". The Act provides for disabled people to be registered as such by the employment service.
2. Most of the existing means of resettlement in open employment are available to disabled people whether or not they are registered under the Act but to qualify for resettlement in sheltered employment a disabled person must be registered under the Act and categorised as severely disabled.
3. Disabled people may use the whole range of employment service facilities for assisting people to find work, but most disabled people - and all in employment whose need is to remain there - rely wholly or partly on the help given by officers of executive officer grade who are designated Disablement Resettlement Officers (DROs) and by officers of clerical officer grade who are designated Assistant Disablement Resettlement Officers (ADROs). There is DRO and ADRO provision for every local office of the employment service but the DRO and ADRO for a given office may have other duties and full-time DROs may cover several offices. DROs are managed by local office managers. They have functional links with officers of higher executive officer grade who are designated Senior Disablement Resettlement Officers (SDROs) and with Area Office staff. In addition the special needs of blind disabled people are catered for by Blind Persons Resettlement Officers (BPROs) and Blind Persons Training Officers (BPTOs).

4. Currently there is provision for 50 SDEOs; 445 DROs who are regarded as full-time and 85 DROs who are regarded as part-time; and 36 BPROs and 13 BPTOs. The ADRO provision amounts to about 326 staff units.

5. At 13 November 1980 the number of unemployed disabled persons registered by the employment service was 158,044 and of these 66,887 were registered under the Act and 91,157 were not. The total included 11,643 registered for sheltered employment.

6. At 31 March 1980 the number of severely disabled persons in sheltered employment was 13,742.

7. The means of resettling disabled persons used by the employment service comprise:
 - a. submission to vacancies in open employment;
 - b. advice on obtaining open employment;
 - c. special schemes to facilitate entry into and retention of open employment;
 - d. submission for courses of rehabilitation;
 - e. submission for courses of training; and
 - f. submission to sheltered employment (mainly of severely disabled people - see para 2 above).

8. To facilitate resettlement in open employment by means of submission to vacancies (and by means of the retention of existing employment) statutory restrictions (the "Quota" obligations) are placed upon an employer's freedom to recruit and discharge staff where his workforce does not include a specified proportion of disabled people registered under the Act. This arrangement is discredited and the Commission is considering its replacement by more realistic statutory provision coupled with the development of the existing policy of persuasion and various specific inducements.

9. In broad terms the subject proposed for scrutiny is the organisation, methods of work and staffing of resettlement work for disabled people as it is carried out by the MSC's field staff.

Cost

10. The main element in the cost of the work proposed for scrutiny is the staff-related cost of the staff referred to in paragraph 3. This is estimated to be about £12 million in 1980/81. The cost of special schemes referred to in paragraph 7 is estimated to be about £2.3 million in 1980/81.

Reasons for Selecting the Subject

11. With rapidly rising unemployment disabled people are facing much greater difficulty in getting jobs. At the same time there is increasing awareness of the desirability of disabled people being regarded and regarding themselves as normal members of the labour market; many may not need or may prefer not to use the specialist help of DROs. The existing DRO service is staff-intensive. The substantial staff cuts which the employment service faces make it essential to improve productivity and at the same time to maintain a reasonable balance between services for disabled people and those for other job-seekers, many of who are also disadvantaged. The existence of a powerful lobby on behalf of disabled people makes it doubly necessary to ensure that their needs are seen to be met as far as possible and as efficiently as possible.

Terms of Reference

12. The suggested terms of reference are as follows:

"(1) The scrutiny will review the Manpower Services Commission's arrangements for re-settling disabled people in open employment whether directly or through rehabilitation or training, and for resettlement in sheltered employment.

(2) The scrutiny will take full account of the outcome of the Commission's consideration of Quota arrangements and of its review of employment rehabilitation.

(3) The scrutiny will take into account constraints on resources (and particularly staff), the competing claims of other job-seekers and relevant developments in the Commission's programmes and policies.

(4) The scrutiny will pay particular attention to the desirability of further promoting positive policies of employers towards disabled people and of effectively harnessing community support in the resettlement of disabled people."

Proposed Starting and Finishing Times

13. To allow for relevant decisions which the Commission will be taking in the early part of 1981 it is proposed that the scrutiny begin about 1 April. The report should be completed within 4 months.

Names of Examining Officers, If Known, and Ministerial Reporting Arrangements

14. Still under consideration.

Blind copy
Mr Pattison

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

7 January 1981

The Rt Hon Michael Heseltine MP
Secretary of State for the Environment


For Michael.
REPAYMENT FOR PSA SERVICES

Thank you for your letter of Monday.

I cannot see you this week, I'm afraid - I am going to Canada tomorrow on business and there is no prospect of my meeting you today. I return from Canada at the end of next week but - given the long interval since the presentation of the PRS report and since I first wrote to you about it early in the Autumn - I do feel acute embarrassment about further deferring my submission of the report commissioned by the Prime Minister nearly a year ago.

However, I think that progress can now be made. While awaiting your further thoughts, I have been having a first shot at a submission to the Prime Minister. On the basis of what you said to me when we met and your letter, I have also tried to capture your point of view. During my absence (when I myself shall be reflecting on the draft further) my office will send yours the draft. It would be most helpful if I could be informed by 16 January whether I have correctly reported your position. No reply would be necessary if you were content with the draft, of course.

All good wishes for 1981.


Derek Rayner



Prime Minister

2.

You wanted a meeting
in the recess. We did
not press hard until
ministerial changes
were settled.

This letter shows that
Mr H is still in no
hurry, although trying
to blame Sir D.R. Below
is a private copy of what
D.R. would like put
forward.

2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

7 January 1981

Dear Mike

MAD 8/1.

MB

You wrote to David Edmonds on 22 December about PSA repayment. It may help if I let you know of the present position in respect of submitting to the Prime Minister the Secretary of State's views.

Sir Derek Rayner and the Secretary of State met at the beginning of December to discuss Sir Derek's proposals. The Secretary of State expressed unease about certain aspects, most notably the staffing implications, and it was agreed that he would give the proposals further consideration before responding. He has now done so, and has written to Sir Derek (copy of letter attached) suggesting a further meeting. It is not yet clear whether this can be arranged as quickly as the Secretary of State hoped.

We understand that Sir Derek intends to submit his proposals, together with the comments of the Secretary of State and his colleagues later this month. It seems improbable however that the Prime Minister will receive this submission until after the House resumes.

I am copying this letter to Dave Allen in Sir Derek's office.

Yours ever

Jeff Channing

J P CHANNING
Private Secretary

Mike Pattison Esq

CONFIDENTIAL

Mr PATTISON



M.

FINANCIAL MANAGEMENT IN MOD

Sir Derek Rayner strongly endorses my minute to you of 5 January and the draft minute to the Secretary of State for Defence attached to it. He thinks that the change in senior Ministers is a particularly good time to press forward the opportunity for rationalisation offered by Mr Pym's minute of 31 December.

CP

C PRIESTLEY

7 January 1981



✓ MJD

Prime Minister

EFFICIENCY IN CENTRAL GOVERNMENT : THE SCRUTINY PROGRAMME 1981

In his letter of 1 December 1981 your Private Secretary asked for proposals for the 1981 Rayner scrutiny programme.

2. We have been considering for some time whether we should take a fundamental look at the way in which paper is transmitted within the Foreign and Commonwealth Office and to other Government Departments and foreign missions in London. It seems incongruous that telegrams traverse the world in micro-seconds yet often take hours and sometimes days to reach Whitehall Departments. At the same time the distribution system, mainly by messengers, is labour intensive and should with the introduction of more modern methods provide scope for economies. I believe that if we were thoroughly to examine the distribution system concentrating on such aspects as the frequency of service and the use of boxes and vehicles we would be able to devise a system more in keeping with the times. The study would also enable us to assess whether the volume of paper being transmitted is greater than we need.

3. Estimated salary and overtime costs for Diplomatic Service messengers amount to £1.4 million per annum. Overheads add considerably to this figure.

4. Terms of reference for the study are contained in the attached note. We would hope to begin in February. An officer of Grade 4 rank has been provisionally identified who would be available for 3-4 months. While aspects of the messenger service are peculiar to the FCO, it has much in common with systems in other Government

/Departments

PROPOSED TERMS OF REFERENCE FOR THE FCO'S RAYNER SCRUTINY FOR 1981

TRANSMISSION OF PAPERS

To review methods for the transmission of paper within the Foreign and Commonwealth Office and to other Government Departments and foreign missions in London so as to provide a service consistent with present needs and manpower and security constraints.

Departments and we should like to draw upon the advice of CSD experts who have studied these services elsewhere. As before, I have asked Mr Hurd to be the Minister to whom the examining officer should report.

5. I am sending a copy of this minute to Sir Derek Rayner.

1.49.

7 January 1981



2 MARSHAM STREET
LONDON SW1P 3EB

My ref:

Your ref:

5 January 1981

Dear Sir Derek

REPAYMENT FOR PSA SERVICES

I was glad to have the opportunity of discussing the proposals put forward by the PRS Group on repayment for PSA accommodation services on the civil estate. As you know, I have to consider these proposals both as the Minister responsible for PSA and as a Departmental Minister whose Department would be affected by repayment

As I explained when we met, I fully recognise the need to strengthen PSA's central role in the management of the estate and to ensure that Departments are alive to the cost of the accommodation services they require. While the method of charging proposed by PRS seems reasonably simple and realistic, the attempt to fit this to the annual Estimates and Vote accounting system will inevitably involve a great deal of work both for PSA and for Departments. It will certainly tend to generate a lot of unprofitable haggling over the detailed charges every year at Estimates time. The PRS Group estimate that it would require some 60 staff in PSA and it would certainly require extra staff effort in Departments.

As you may know, I am away until the middle of this week but I would like a meeting with you immediately on my return and before I write to you formally as part of the report to the Prime Minister.

Yours sincerely

M Channing

MICHAEL HESELTINE
(approved by the Secretary of
State and signed in his absence)

CONFIDENTIAL

B

Mr PATTISON

cc for information
Sir Derek Rayner
Mr Wright

FINANCIAL MANAGEMENT IN MOD

1. The minute from the Secretary of State for Defence to the Prime Minister offers an important opportunity to push forward the rationalisation of the MOD.
2. I would guess that the minute has been sent in the hope of stimulating a firm response from the Prime Minister. Sir Frank Cooper is the Permanent Secretary referred to in para. 31b of Sir Derek Rayner's submission of 19 December in the following terms:

"I was much struck by the comment of an experienced Permanent Secretary that all the scrutinies with which he was familiar revealed fuzziness and obscurity about responsibility, not least in relation to the use and management of resources"
- I attach a possible Private Secretary letter. The draft is self-explanatory.
3. I also attach the appropriate part of the lecture by Sir Terence Lewin and the article by Colonel Walden, RM, to which the draft refers. Both are highly interesting in their different ways.
4. In the CDS's article, the references to the charisma and personal force of Lord Mountbatten as the architect of rationalisation are all the more telling for the present lack of a military figure in the MOD of comparable stature and devotion to reform. At a recent presentation given by MOD to Sir Derek Rayner, both he and I were struck by the fatigue apparent on the faces of the CDS and his supporters and by the references all round the table (other than from Sir Frank Cooper himself) to difficulties, obstacles and problems.
5. Colonel Walden's article (for which he deserves a medal) is an ample confirmation from a serving officer of what most military men say freely only after retirement. His reference to "vested interest" chimes with what Sir Derek Rayner has frequently said to the Prime Minister. (It is interesting that this officer belongs to the same distinguished corps as that Captain Hankey who created the modern Cabinet Office.)

Sp

C PRIESTLEY
5 January 1981

Encs: Draft Private Secretary letter
Extract from Sir Terence Lewin's lecture
Colonel Walden's article

B M Norbury Esq
Private Secretary to the
Secretary of State for Defence

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

1. The Prime Minister has seen ^{Mr Lyne's minute} ~~your Secretary of State's~~ minute of 31 December, which she very much welcomes. She has asked me to make ^{a couple of} ~~three~~ points in response.
2. First, the Prime Minister ^{agrees with Mr Lyne} believes ~~that~~ private sector experience ^{will} ~~would~~ be particularly relevant to ~~the~~ question of coping with the recession and inflation to which your Secretary of State refers in connection with the examination of financial control procedures. She accordingly suggests that Sir Derek Rayner's advice ~~should~~ be sought during the study.
3. Secondly, the Prime Minister takes it that ~~the~~ Secretary of State will wish the examination of financial responsibility and accountability ^{will} ~~to~~ be fundamental and radical, omitting no reasonable redistribution or concentration of authority.
4. Thirdly, the Prime Minister is struck by the reasons for the examination implicit in your Secretary of State's minute, including imprecise or diffuse allocation of responsibility and the achievement of something less than maximum economy.

as well as drawing on the assistance of an accountant from the private sector, your Secretary of State should arrange for

5. In this connection, the Prime Minister has also been impressed by two items in the December issue of the Journal of the Royal United Services Institute for Defence Studies, one being the Mountbatten Memorial Lecture given by the Chief of the Defence Staff last July and the other an article by Lt Col Walden, RM, on the higher organisation of defence. Your Secretary of State's minute seemed to the Prime Minister a strong practical demonstration of the validity of Lord Mountbatten's original view of the degree to which the organisation of defence should be unified under the Secretary of State and of Colonel Walden's critique of some existing arrangements.

6. The Prime Minister would accordingly be grateful if, either as part of or in parallel with the second examination mentioned by the Secretary of State, the possibilities for a thorough-going rationalisation of the organisation of defence could be seriously examined. The Prime Minister also thinks that this examination should be included in the Ministry's scrutiny programme and would be grateful if this could be arranged.

7. I am ^{sending copies of this letter} ~~copying this~~ to the Private Secretaries of the Chancellor of the Exchequer, the Secretary of State for Industry, the Lord President of the Council, the Chief Secretary and to Sir Robert Armstrong and Sir Derek Rayner.

M A PATTISON *LMW*

advantage of a Supreme General Staff with a permanent staff of planners who would tend to lose touch with the executive departments.

Certainly at the time Mountbatten was First Sea Lord there was no danger of that. In his words,

Our COS contacts with each other were virtually limited to one or two meetings a week in the Ministry of Defence building, after each of which we returned to the separate battlements of our three separate Service Ministries.

As First Sea Lord, Lord Louis had a very clear concept of the kind of Navy that would best serve the United Kingdom's needs in the years ahead, and he set about the task with characteristic energy. Not only did he play a leading role in the introduction of new guided missile ships and nuclear propulsion for submarines but he made significant changes in the training and personnel fields as well. It was during this period that he was doing much thinking about defence reorganisation which he discussed in some detail with Anthony Eden: he suggested that the first step to take was to appoint a fourth member of the Chiefs of Staff Committee, senior to the other three, to be their permanent Chairman. According to Lord Louis, the Prime Minister was enthusiastic and offered him the job; but he declined because he had so much vital work still to be done for the Navy and because he believed that the new Chairman would be more acceptable if he were not such a controversial person as himself. As you will recall, Eden chose Marshal of the Royal Air Force Sir William Dickson.

Perhaps I may digress here to remind you that in January 1957 Duncan Sandys became Minister of Defence. It was he who, in addition to the controversial White Paper of 1957 laying down the guidelines for strategy over the next five years, published the White Paper on Defence Organisation in 1958. This spelt out and consolidated some of the changes that had been made since 1946, and included the introduction of a new Defence Board and the recasting of the Chairman of the Chiefs of Staffs Committee as Chief of the Defence Staff. As Michael Howard points out, Duncan Sandys' hope that the new Defence Board would have a most important part to play as a forum for the discussion of military policy and inter-Service problems was not realised in practice. Moreover, the powers of the Chief of the Defence Staff were most meticulously circumscribed. How much this was due to the knowledge that the next incumbent was to be Mountbatten is a matter of conjecture for the historian.

Chief of Defence Staff

It was thus as Chief of the Defence Staff that Admiral of the Fleet Earl Mountbatten of Burma relieved Marshal of the Royal Air Force Sir William Dickson in July 1959. Now he could turn his full attention to the reorganisation of defence. In his own words:

The idea did not suddenly dawn on me. It was the result of 20 years experience in war and peace . . . what was happening now was really the conclusion of something which began as far back as 1941, when I went to Combined Operations. That was when the idea of inter-

Service organisation and operation took hold of me . . . Once again, I knew I would have a terrific struggle, because I would be up against tradition and vested interest—a formidable combination . . . I knew I was going to antagonise a lot of people—but I couldn't help that.

His first initiative was to reorganise the CDS Staff to reflect his wish for high calibre officers from each of the three Services—there were no surprises in that. Next, the appointment of his own Director of Plans who would be Chairman of the Joint Planning Staff. This latter initiative met with considerable resistance, but he overcame it with a combination of craft and compromise, applying a similar formula to that employed in South-East Asia Command, whereby his Director would be Chairman of the Committee, each Service director of plans would be responsible to his own head of service, but as a corporate body the directors would report to the Chief of Defence Staff.

Early in August that year an incident in the Indian Ocean, in which each service took separate action without consulting Mountbatten, and with no formalised arrangements, gave him the opportunity to initiate his drive for Unified Commands Overseas. The first was in the Middle East where Air Marshal Elworthy was appointed as the Unified Commander-in-Chief; next came the Near East and a Unified Commander-in-Chief for land and air forces—working in close cooperation with the Naval Commander-in-Chief who for NATO and geographical reasons could not come under permanent command but would do so if a general operation was to take place. The Far East was more difficult and was only achieved with the strong support of the Prime Minister, just in time for the Indonesian confrontation.

In the meantime, Mountbatten turned his attention to Whitehall. In his own words "the heart of the matter".

The heart of the matter

In August 1962 he devoted his leave in Ireland to finalising a draft paper prepared in secrecy by his personal staff, on the Central Organisation for Defence. As Franklyn Johnson has revealed in his recently published book, in the paper he advanced the view that two main considerations flawed the existing organisation. First, the narrower interest of the individual services often ran counter to formulation of consistent defence policy for the Services as a whole and second, that this divisive characteristic of the Services exacerbated the already difficult situation in which defence Research and Development and Production were annually subject to the exigencies of the budget.

I have come to the conclusion that nothing short of the abolition of separate Service Departments and the creation of a single Ministry of Defence will get to the root of the problem.

He envisaged a Secretary of State for Defence responsible for all aspects of defence policy and the three Services; he would be assisted by two Ministers of State—one specifically responsible for Personnel and Supply and Logistics and one for R & D and Production. The Ministry would be organised functionally

retaining single service lines for consultative purposes and the execution of purely single service matters only. Divisions would be: a Defence Staff, embodying Naval, General and Air Staffs; R & D and Production; Supply/Logistics and Personnel. The PUS would be responsible for the Budget and for running the Ministry as a whole. The CDS would be in charge of the Defence Staff assisted by the Chiefs of Staff as advisers, responsible for their own service Staffs within the Defence Staff: they would not be responsible for their own services as a whole: this task would be in the hands of Inspectors General or Commanders-in-Chief, who would also be the Principal Personnel Officers and responsible for the general well-being of their Service.

Mountbatten passed his memorandum to the new Minister of Defence, Mr Thorneycroft, for personal transmission to the Prime Minister. It seems clear from reading Mountbatten's own account that Mr Macmillan was generally in favour of the proposals. Nevertheless, the Prime Minister directed that an independent inquiry into the operation of the Ministry should be undertaken, and General Lord Ismay and Lieutenant General Sir Ian Jacob were given the task. Their report was produced with remarkable speed in February 1963. As Michael Howard has explained it contained if anything, more radical proposals than Mountbatten's memorandum. Deploying the arguments for and against a Chief of Defence Staff it considered that "it was only logical that the system of having a unified commander in charge of all three Services in overseas theatres should be reflected in the organisation at home". But, the report did not support Mountbatten in his recommendation that the Chiefs of Staff Committee as then known should be abolished. Indeed, it considered it essential that "as long as there were three Services, the COS Committee should remain and that each Chief of Staff should in the last resort have access to the Minister and to the Prime Minister". The report reviewed three possible organisations: an adjustment of the existing system; an extension of the Ministry of Defence to embrace the Service Departments and, most revolutionary of all, a single Ministry and fully integrated Services.

There is no doubt, on re-reading this report, that Ismay and Jacob felt strongly that the ultimate solution to any reform should be a completely integrated and functionally organised Ministry of Defence; the scheme to subordinate the Service Ministries into the central Ministry was seen as a step towards this end. They went somewhat further than Mountbatten in spelling out their optimum solution. Whereas Lord Louis had envisaged a General List for the appointment and promotion of all Flag, General and Air Officers, Ismay and Jacob saw it as essential that a new list of ranks and a single uniform for 2 Star and above be instituted. These officers, specialists in their Service until they reached Flag rank, would become, in effect, the fourth Service or inter-Service elite. From them would be selected the future Chiefs whose judgment would be entirely unprejudiced by single Service loyalties. Nevertheless, they recognised that for the moment separate Service departments should remain but under one Minister or Secretary of State for Defence with only junior Ministers presiding over the

Service departments; they did not, at this stage, accept "functionalisation" as described by Mountbatten. But they recommended that all the departments of the new Ministry should be housed in a single building. There were, of course, other very important recommendations on the Ministry of Aviation but this is outside my immediate theme.

A White Paper setting out a new Central Organisation for Defence was presented by Mr Thorneycroft in July 1963. It was faithful to much of the less radical Ismay/Jacob proposals: a unified Ministry absorbing the old Service Ministries; a single Secretary of State; a Minister of State for each Service; the primacy of the central PUS; and a strengthening, albeit marginally, of the position of CDS.

Not all Mountbatten's wishes had been met but he was not displeased. He recorded:

On 26 March 1964, Mr Thorneycroft and I were summoned to a meeting of the Privy Council at which the Queen approved the Order in Council setting up the new Unified Ministry of Defence. . . . This was an emotional and historic moment for me.

A remarkable achievement

If Mountbatten had not achieved all that he believed was needed for the most efficient Defence Organisation, what he had succeeded in doing was remarkable. In *Defence by Ministry*, Franklyn Johnson advanced three primary factors for Mountbatten's success: his personal qualities of perseverance, political skill, ingenuity and initiative, his personal presence and charisma, and his connections. I do not imagine that Lord Louis, modest in his own particular way, would disagree with this analysis. Despite the probability that the reorganisation of defence would have come at some stage, with the increasingly difficult progress of matching resources to commitments, there is no doubt that at the time only Lord Louis could have driven through the process so swiftly.

The *Sunday Times* in its editorial to mark his retirement in 1965 put those of us who have followed him or perhaps I should say, have had the temerity to follow him, pretty well in our place:

The Mountbatten era in our defence planning is over and we are moving into a new one. It will hardly find a Service commander and administrator with wider wisdom, stronger dynamism or greater devotion to the Service of the Crown than Earl Mountbatten of Burma.

As Michael Howard summarised the 1964 reforms:

The degree to which the Services were left intact was seen by several observers as a major obstacle in the path of the Secretary of State in the exercise of his new responsibilities. But, the erosion of the independence of the Service Ministries, and the drastic reduction of the status of the Service Ministers, the budgeting powers placed in the hands of the Permanent Under-Secretary, and the increase in the controlling apparatus at the disposal of the Chief Scientific Adviser added up to an unparalleled administrative revolution. Like all revolutions, however, its outcome depended on the capacity of the revolutionaries and their successors to build wisely on the foundations they had laid.

Since 1964 there have been a number of studies on the higher organisation of defence: the Geraghty Committee in 1966; the Headquarters Organisation Committee in 1969; and a succession of others. They have all to a greater or lesser extent continued the process of refinement of the principles set out in the 1963 White Paper, for example, the setting up of the Procurement Executive; the central coordination of the Personnel and Logistics functions. These have moved some way towards Mountbatten's original proposals. The present position of the Secretary of State and the Permanent Under Secretary are much as he envisaged; the principle of major user management and supervision of an activity on behalf of all three Services has been successfully employed, and functionalisation is apparent in a number of fields. Of the more radical proposals, however, namely those concerned with the relationship of the individual Chiefs of Staff and their service departments to the CDS and the centre, the situation remains much as when Mountbatten assumed the position I currently occupy. Those who then saw anomalies in the functioning of the COS Committee would be no more comforted today.

The core of this doubt is that the dual requirements of providing advice on matters of higher defence policy, on long-term strategy, and, at the same time, acting as the champion of a particular Service are not always easy to reconcile. "It would", says Michael Howard, "be as reasonable to expect that a sound economic policy for the country would emerge as the result of bargaining between the principal trade unions: it might be practical politics but it cannot be assumed that it is both efficient and ideal."

Some would go further. Not only is it possible that the Committee is essentially an arena for compromise or watered down advice but the advice given from the Planning Staffs on which decisions are made can also be common denominator stuff arising from the dependence of the Central Staffs on detailed inputs from the single Services. Moreover, Central Staff officers still have a career to make in their own Service and they would be less than human not to take account of this when matters affecting the well-being of their Service are being considered.

As I have recounted, Mountbatten saw the solution to this as being in the supremacy of the Chief of Defence Staff and the abolition of the Chiefs of Staff

Committee; whereas, the interim solution of Jacob/Ismay retained the Committee as then constituted, looking ultimately towards the complete integration provided by a single and separate list at the higher ranks for the desired objectivity.

The counter-arguments for a committee bringing together such great experience must be respected. To pick only one, but one of great importance, policy should only be made by those who have the responsibility for carrying it out: it is a sound military maxim and it has much to commend it, particularly for the maintenance of morale and confidence. For those who would advocate even more sweeping changes, we have before us the example of the unification of the Canadian Armed Forces; a recently published official report has analysed its progress. Whilst it would be quite improper and dangerous to read across from its conclusions, there will be many who will find within its pages ammunition to sustain their belief that integration and unification can be carried too far.

All this being said I doubt if there would be disagreement that evolutionary improvements to the organisation are inevitable, to accommodate the increasing complexities of defence planning and resource allocation. In 1970 Michael Howard saw an enlarged COS committee as one possibility; Franklyn Johnson would appear to favour Jacob/Ismay and moves towards integration. I am sure that most people will have their own ideas.

Perhaps no organisation should be set in concrete. Our Armed Forces are more closely integrated today than they have ever been. Our defence colleges, our training establishments preach the benefits and the essential nature of inter-Allied and inter-Service co-operation. All this is a tribute to the wisdom and energy of Earl Mountbatten. But, defence is a dynamic business and there is no certainty that what appears basically sound today will meet tomorrow's needs. The debate will continue, and this would have met with the approval of Lord Louis. I did not intend to propose a radical new organisation. My intention, and my hope, has been to remind you of the debt that we owe to a great man.

I chose as the title of my address—the Common Cause. Our great privilege, I suggest, has been to be associated with a man who had the vision to see the common cause, and the courage to pursue it.

The Higher Organisation of Defence—Let's Get It Right for the 1980s

By Lieutenant Colonel I. M. WALDEN, MBE, Royal Marines

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It is now some time since the *RUSI Journal* published an article on the higher organisation of defence. Indeed, the last was by Brigadier (now Major General) Perkins in the June 1974 edition and the author is indebted for his advice and interest in this article. Sceptics would probably say that the wise had by now accepted that little could, or should be done to rock this particular boat, however leaky its hull or subjective the motives of its crew; others perhaps would liken the attempt to the legendary re-arrangement of the deckchairs on the *Titanic*.

However, if only in the context of the inevitable search for economies ("The Ministry of Defence, as a major spending department, must play a full part in the pursuit of efficiency and savings", says the 1980 Defence White Paper¹), it would seem to be a timely opportunity once again to question the existing higher organisation of defence. Those who work in the Ministry of Defence (MOD) have some difficulty justifying its economy and few have a clear conscience about its efficiency in support of the national defence interest, which is not inevitably coincident with the interests of the constituent groups within the MOD. As a machinery for achieving compromise between the often conflicting interests of these groups, it has probably reached the apogee of refinement; but as a means of representing the best defence interests of the nation, the current organisation is open to criticism. At the same time, the structure of the commands below MOD level seems dated and ill-suited to the challenge of the 1980s.

In an article of this nature, which is determined to be provocative, there is limited scope for a deep or measured analysis of the problems, or indeed of the implications of possible solutions. In the past, such studies have been entrusted to eminent and distinguished persons but the reaction to their labours does not encourage repetition of a detailed review; indeed one cannot avoid the impression that the institutional structure of our higher defence organisation is so well armoured by historical precedent and bureaucratic inertia that proposals for radical modification are probably doomed to failure. In another context, Prince Philip has referred to "... the mass of obstacles which are always lumbered into the way of any good idea when it appears in the offing... In my experience, there are always 20 excellent reasons for

doing nothing for every one reason for starting anything—especially if it has never been done before."

It may in consequence look like the easy way out, but this article confines itself to consideration of the organisation as it should be, the outline of the distant hills, rather than seeking to chart a way through the intervening swamps of objection. It explores the areas in which some change seems to be both essential and timely, and concludes with a few thoughts on the implementation of these changes.

The current organisation

The present organisation of defence traces its origins to the Thorneycroft/Mountbatten reforms reflected in the 1963 White Paper.^{2,3} These in turn followed many of the recommendations of an independent inquiry conducted by General Lord Ismay and Lieutenant General Sir Ian Jacob earlier that year. A single Ministry was established under the Secretary of State for Defence, who took control of the then MOD and of the machinery for the administration of the three Services, and became Chairman *ex officio* of the Service Boards. The Chiefs of Staff Committee remained "collectively responsible to the Government for professional advice on strategy and military implications of defence policy". The Chief of Defence Staff (CDS) was to render the collective advice of the Committee, submit the alternative views when they differed and offer his "own advice to the Minister in the light of the views expressed". Operational orders would now go out in the name of CDS but, in recognising the need for the Services to preserve their separate identities, the single line of control within each Service from its own Chief of Staff to the formations and units which would execute orders in support of defence policy, was maintained. The Naval, General and Air Staffs became part of the Defence Staff and many of the Civil Service departments, under the Permanent Under-Secretary of State, became parts of the Defence Secretariat. Financial responsibility remained with the single-Service Departments but control of long-term financial planning, control of the defence programme, and the allocation of resources between the Services, was to be exercised by a new Deputy Under-Secretary (Programmes and Budgets) (DUS(P&B)). Control of planning and operations was

vested in four bodies, the Defence Operations Executive, the Defence Operational Requirements Staff, the Defence Signals Staff and the Defence Intelligence Staff. The Chief Scientific Adviser was charged with closer coordination of scientific effort throughout the MOD. The Chief of Personnel and Logistics was to be responsible for coordinating the manpower, personnel services and logistic policies of the three Services.

With some modification, this is the MOD organisation which exists today. Developments since 1963 have related to the responsibility of the Ministers of State for Defence (there is now only one, with responsibility to the Secretary of State for particular areas of defence interest such as personnel and logistics); the Parliamentary Under-Secretaries of State for each Service; the retitling of the Chief of Personnel and Logistics as the Vice-Chief of Defence Staff (Personnel and Logistics); the establishment of the Procurement Executive; and changes in the higher organisation of the Civil Service element of the MOD which reduced to only one the number of Second Permanent Under-Secretaries of State and divided the DUS(P&B) task between two Deputy Under-Secretaries.

Below MOD level, and following the 1965 decision⁴ to reduce the UK military presence east of Suez, the UK command structure was established. This now consists of five commands, two Naval, one Army, and two RAF. The Commanders-in-Chief based in UK plan in concert under the aegis of the UK Commanders-in-Chief Committees and a similar structure exists for the two Commanders-in-Chief in Germany. No one Commander-in-Chief has executive authority over his colleagues.

The Commander-in-Chief Fleet (CINCFLEET) is also, in war, both the NATO Commander-in-Chief Channel (CINCHAN) and the NATO Commander-in-Chief Eastern Atlantic (CINCEASTLANT); as the former he answers direct to NATO HQ in Brussels but as the latter he answers to an American Admiral, the Supreme Allied Commander Atlantic (SACLANT). The Air Officer Commanding-in-Chief Strike Command (RAF) is also, in war, the NATO Commander-in-Chief UK Air (CINCUKAIR) and answers to an American General, the Supreme Allied Commander Europe (SACEUR). It should be noted that the Commander-in-Chief UK Land Forces has no NATO appointment. Overseas, certain commands were established on a tri-Service basis, including Hong Kong, Cyprus and Belize. These commands are illustrated diagrammatically at Figure 1, which shows how they relate to the MOD. It should be noted particularly that the MOD does not command the Armed Forces; supreme command of all UK national forces remains vested in the Crown, through the Commanders-in-Chief.

The need for change

The MOD's complex organisation is the product of historical precedents and compromise. It seeks to meet a wide spectrum of responsibilities; providing advice to Ministers as a Department of State (it is in fact the largest of the Whitehall Ministries); expending and accounting for the Defence Budget; contributing to the development of national and NATO defence

policy; reconciling the different demands of the Services for resources; managing the Services and their supporting civilian staff; and coordinating the planning and conduct of operations and exercises. Because it is essentially a compromise, it suffers from a number of inherent weaknesses.

Perhaps the most important of these weaknesses is the fact that decisions are essentially the product of compromise between conflicting vested interests. As John Garnett has described it:

Decisions emerge, not so much as a result of argument and reflection about the problem in hand, but as a result of organisational strife between rival departments, sections and individuals. The point is that in a given situation, organisations and the individuals within them, though not unaware of the national interest, are in fact pursuing more complicated goals in which organisational prosperity and survival and individual promotion may figure prominently. Of course, organisational success is not necessarily incompatible with the national interest. What is good for General Motors may indeed be good for the United States; but there is no inevitability about it.⁵

The gap between the interests of the single Service departments, who have financial control, and the Central Staffs who have little more than influence, is bridged by a comprehensive system of bureaucratic committees ranging from the Chiefs of Staff themselves through the higher level of procurement committees (such as the Operational Requirements Committee and the Weapons and Equipment Procurement Committee), the Defence Operations Executive, the Principal Personnel Officers' and the Principal Administrative Officers' Committees, to the various committees concerned with the apportionment of the Defence Budget. In all of these committees, which are time- and effort-consuming, the interests of the single Services are paramount, not least because financial responsibility rests with them. To cite a particular example, the planning, mounting and conduct of operations is strongly influenced by single Service factors, to the extent that if one Service is, or is likely to be, most concerned with the operation, its Service Department in the MOD is liable to "lead", in spite of the theoretical primacy of the Central Staffs, who act on behalf of CDS. The late Admiral of the Fleet Sir Michael Le Fanu, on his premature retirement on grounds of ill health which prevented him becoming Chief of Defence Staff, wrote a memorable poem. One verse sums it all up:

A First Sea Lord can always say "I'm Guv'nor",
Here's Navy List to prove it, more or less,
But CDS's channel
Of command is only flannel,
So I'm glad I won't be known as CDS.⁶

The real issue is that decisions made by a committee are at best "comfortable" for all those contributing, but seldom timely or totally objective. Decisions requiring compromise between the views of largely autonomous bodies are bound, more often than not, to reflect the lowest level of possible agreement and their implementation depends so much upon the intelligence and initiative of those charged to implement them. An organisation must, of course, allow for

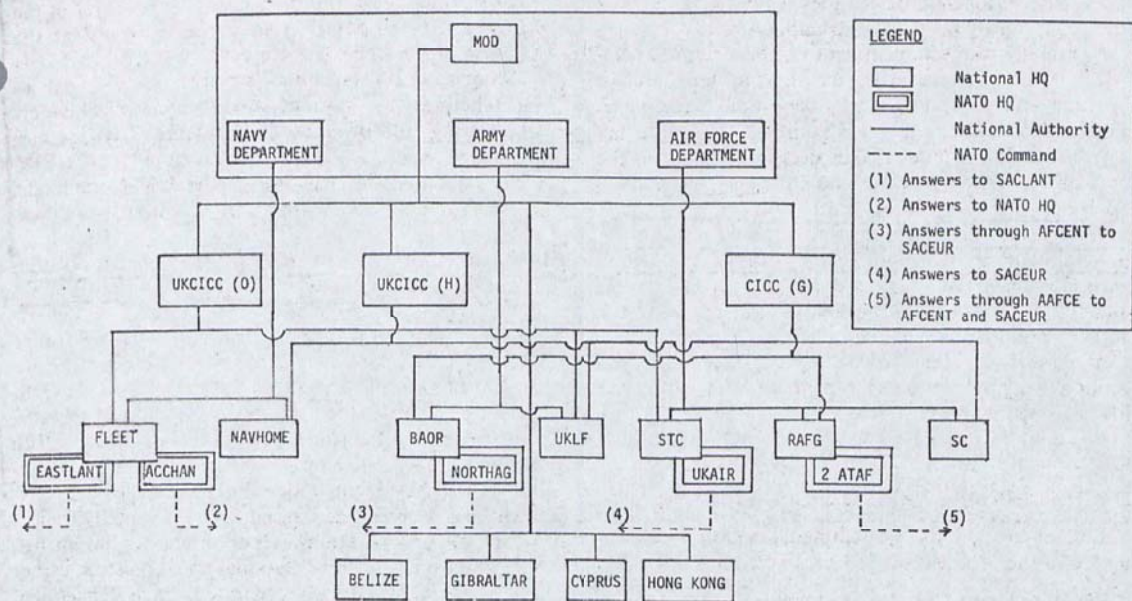


Figure 1. The Present Commands

adequate consultation but it surely does not need to insist that the decisions themselves are "collective". One could also wonder whether the size of our armed forces today is sufficient to justify their control by committee.

Another, but important, aspect of the current organisation is the large number of senior officers who duplicate similar functions, simply because of single Service autonomy. This is particularly evident in the case of policy, operations and operational requirements each of which employs four 2-star officers. Senior officers need private staff and a comprehensive structure of desk officers to support them so the number of staff involved is inordinately inflated.

The third major failing of the current MOD organisation is the duplication inherent in the separate existence of the Civil Service branches. The origins for this are, of course, historical and have much to do with the need for civil government to control, and be seen to control "the military", while remaining accountable for the expenditure of public money. At the lowest level, this duplication involves the separation of civil and military staff and registries, each dealing essentially with the same subjects and answerable ultimately to the same political head, the Secretary of State for Defence. At a higher level, the Permanent Under-Secretary of State for Defence and the CDS are briefed separately by different, autonomous staffs on the same issue; they could and probably do provide the Secretary of State with conflicting points of view. The degree of duplication which exists is a constant source of frustration and embarrassment to those in the MOD, both civil and military, who have to make the system work.

Of course, there are legitimate areas of unique concern to the civil and military staffs. Military staffs clearly have a primacy in matters of military expertise,

such as operational planning and operational requirements. Equally, civilian officials have a practised expertise in such fields as budgetary control, accounting and the administration of civil servants. But the historical sensitivity about Cromwell and the customs and practice of Pepys seem particularly dated and irrelevant today. Uniformed officers working in MOD are these days sufficiently educated to be aware of political factors and, with practice, could be able to provide the kind of advice to Ministers which is currently exclusively prepared by civil servants, while many MOD civil servants are expert in detailed aspects of Service administration and supply. (In the case of the Navy Department, for example, they play the major role in this area.) The current system leads to unnecessary duplication, delay and inefficiency.

Below the MOD level, the Command structure is ill-suited to the realities of today's national or NATO defence requirements. The partial and untidy relationship of the NATO Command structure within UK where only CINCFLEET and AOCINCSTC have NATO appointments, where CINCFLEET answers both to NATO HQ as a Major NATO Commander and to SACLAN as a Major Subordinate Commander and where CINCUKAIR is answerable to SACEUR but assigns some of his assets to SACLAN, is unnecessarily complex and in war might well prove to be confusing. The particular significance of the UK as an interface between the NATO Atlantic and European Commands, in which the UK is not only the focal point for reinforcements from the USA moving to continental Europe but also an essential base for the conduct of reinforcement, support and offensive operations in Europe and the Eastern Atlantic in war, is not reflected in the current NATO Command arrangements. The relatively recent appointment of CINCUKAIR as a Major Subordinate

Commander to SACEUR goes some way in this direction, but by no means far enough.

Nationally, the establishment of the Commanders-in-Chief Committees structure flies in the face of wartime and most post-war operational experience. The best form of command is "unified", that is to say where one Commander makes decisions based on the best objective and specialist advice. The "collective" approach has more to do with irreconcilable inter-Service jealousies and the need to retain large numbers of senior officers as single Service Commanders than with efficiency. Given the reduced size of UK forces and the scope of any foreseeable UK operations, it is surely unreasonable that a collective of autonomous Commanders-in-Chief can be expected efficiently and economically to command the small number of assets likely to be involved.

Reorganisation

Lest anyone should be tempted to quote it, one is aware of the observation of Caius Petronius in AD 66:

We trained hard—but it seemed that every time we were beginning to form up into teams, we would be reorganised. I was to learn later in life that we tend to meet any new situations by reorganising, and a wonderful method it can be for creating the illusion of progress. . . .

However, the way Defence in the UK is currently organised at the higher level is, as we have seen, somewhat less than efficient in either cost or absolute terms. We seem to be saddled with a historical "camel" when what the (inevitable) committee was really asked to design was a horse with no humps. Paul Hammond has observed that:

Administrative structure tends to seem far more permanent than it is. As costly and disruptive as reorganisation is bound to be, seldom does it fail to be regarded as worth the price . . . The problem of achieving effective civilian control without jeopardising the effectiveness of centralised military planning has grown apace.⁷

Before progressing, it is probably wise to address, and at this stage to dismiss, the solution which calls for a unified Armed Service, along the lines of the Canadian reorganisation which took place in the early 1960s. Christopher Mayhew has cogently examined the question of a "Single Armed Service"⁸ and his objections to it are as relevant today as they were in the late 1960s. Based on the Canadian experience, he cites the excessive dislocation which occurred, the immediate increase in costs, the weakening of the links between the functions (such as operations and personnel) of each Service and the not-to-be underrated factor of single Service loyalty, as arguments against so draconian and non-cost-effective a development. But he goes on to illustrate that our present organisation is neither "integrated" nor "single Service" and is in fact hybrid. There are less drastic measures which should reasonably be taken to streamline the organisation without weakening the essential strengths of each Service, not least those perceived by the men and women whose duty requires them to serve "at the sharp end". Improvements seem to be called for in three main areas:

First, the power, authority and responsibility of the "Centre" in the MOD need to be enhanced at the expense of the single Service departments.

Second, an objective and penetrating look needs to be taken at the current autonomous and largely duplicating role of some of the MOD Civil Service departments.

And finally, the structure of the UK Commands, both nationally and within NATO, merits modification.

① Within the MOD, the reality of the current position is that the Central Staffs have responsibility but no authority: this rests with the single Service departments through their own Chiefs of Staff. Effective reorganisation should endow the Central Staffs with authority as well. The Central Staffs would have to increase in size at the expense of single Service staffs, but the resultant organisation could surely turn out to be numerically less than the sum of the various departmental establishments today. Enlarged Central departments would be needed, organised functionally to deal with Policy, Operations, Operational Requirements, Communications, and Personnel and Logistics, rather as Intelligence is already organised. Each department would be headed by a senior officer of any of the Services at 3-star level, to be called Deputy Chief of Defence Staff (DCDS), manned by officers of all three Services and organised internally on a functional basis. Whether this should be in the terms for example, "Maritime", "Land" and "Air", or "NATO", "Rest of the World" and "UK", or some other combination, would be a matter for more detailed consideration and would probably vary between departments.

Each DCDS would be answerable to the CDS, either directly or through one or more Vice-Chiefs of Defence Staff. The single Service Chiefs of Staff would remain, perhaps retaining their traditional titles, but they would no longer function as a committee. Their primary duty would be to represent the interests of their individual Services at the highest level, advising the CDS on all aspects of Defence policy and management as they affected the Services themselves. They would probably need a formalised mechanism by which to safeguard the interests of the Navy, the Army and the Air Force, such as the right of access to the Secretary of State, and a requirement for their views to be taken into account on specific matters. They would need a small staff in order to monitor and influence the work of the Central Staffs. They would continue to be the senior officer of their Service and to play a key role in their leadership and management.

The single Service Departments would continue as they do now to manage the Services. They would remain responsible for personnel administration, including recruitment and training, for manning the front-line units, for managing equipment and for all aspects of Service customs, traditions and morale. They would have a keen interest in, and would need a powerful voice in deliberations about, the equipment requirements of their front-line units. Recent successes in the rationalisation of administrative functions between the Services would continue (the Navy Department sponsors victualling, the Army Department motor transport and the Air Force Department accommodation stores, for example).

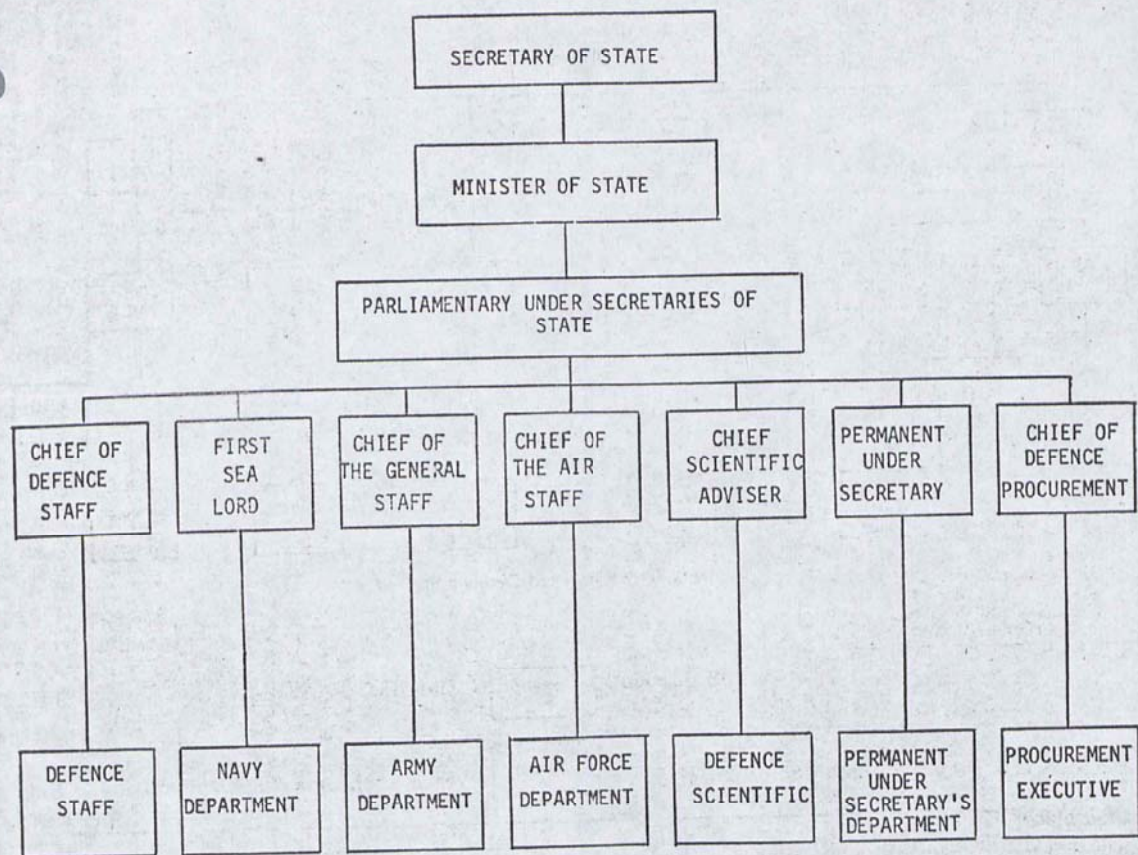


Figure 2. The Suggested Defence Council

Any attempt to increase the power of the Central Staffs must inevitably mean not only a reduction in the power of the single Service staffs but also, since money is ultimately power, a transfer to the Centre of appropriate financial authority. This in turn would need a rearrangement on a functional basis of the present Vote system, so that, for example, operations would come under one central Vote sub-head. Similarly, a proportion of the Votes currently allocated to collective exercises and training would have to be grouped under central control, the proportion dependent on the precise division to be made organisationally between the responsibilities of the single Services for collective training (perhaps the work-up of ships, army units and air squadrons) on the one hand, and the responsibilities of the Defence Operations Staff for formation exercises on the other. A similar division of the Vote would probably be necessary for Operational Requirements, Communications, and Personnel and Logistics.

2 The second area for improvement, reflecting this functional reorganisation of the uniformed staff of the MOD, calls for the Civil Service branches to be similarly rationalised. There are a number of instances now where both uniformed and civilian staff are integrated, and these arrangements appear to be reasonably successful. There is scope for a better

deployment of the civilian staff contribution to the work of the MOD, and to that end it should be possible to integrate the Defence and appropriate single Service Secretariat branches within the new Central Staffs Departments. A clear line of management could be devised to ensure that the Civil Service retained a proper structure, perhaps by the appointment of Assistant Under-Secretaries to advise each DCDS. Separate arrangements would probably continue to be needed for Finance and Budget, for civil management and for each single Service department. The Procurement Executive would probably need to continue as it does now (although it appears to have no shortage of critics). The Permanent Under-Secretary would top the Civil Service chain and, together with the CDS, the Chief Scientific Adviser, the Chief of Defence Procurement and probably with the Chiefs of the single Services, would constitute the principal source of advice to Ministers, formally within the Defence Council.

Tentative diagrams at Figures 2, 3 and 4 seek to illustrate the new organisation of the Defence Council, the Defence Staff and of the Permanent Under-Secretary's Department. Such a reorganisation should not only lead in principle to reduction in manpower at all levels but it should also simplify the working procedures and improve the cost effectiveness of the MOD.

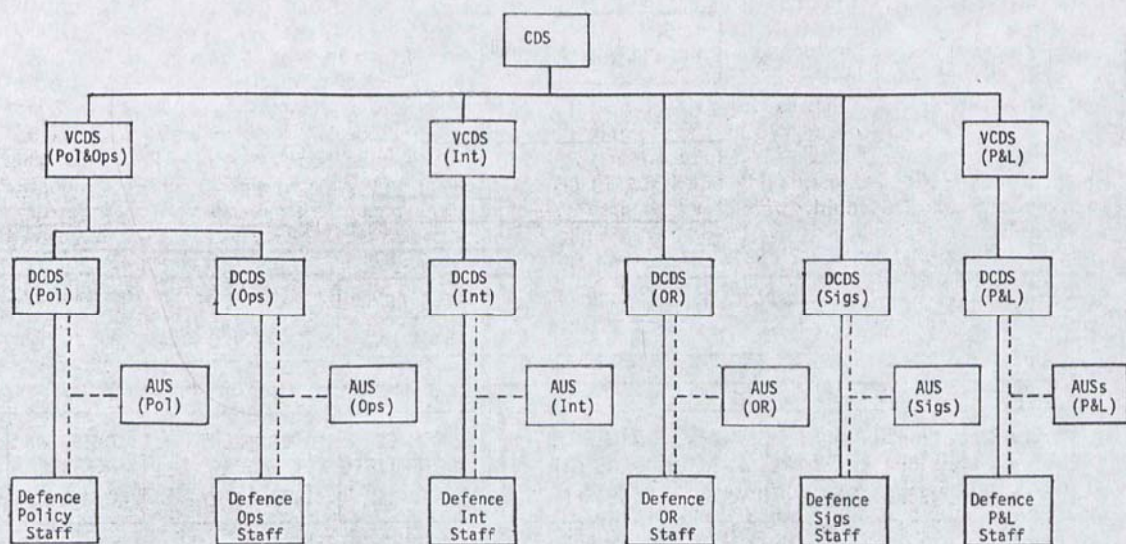


Figure 3. The Suggested Defence Staff

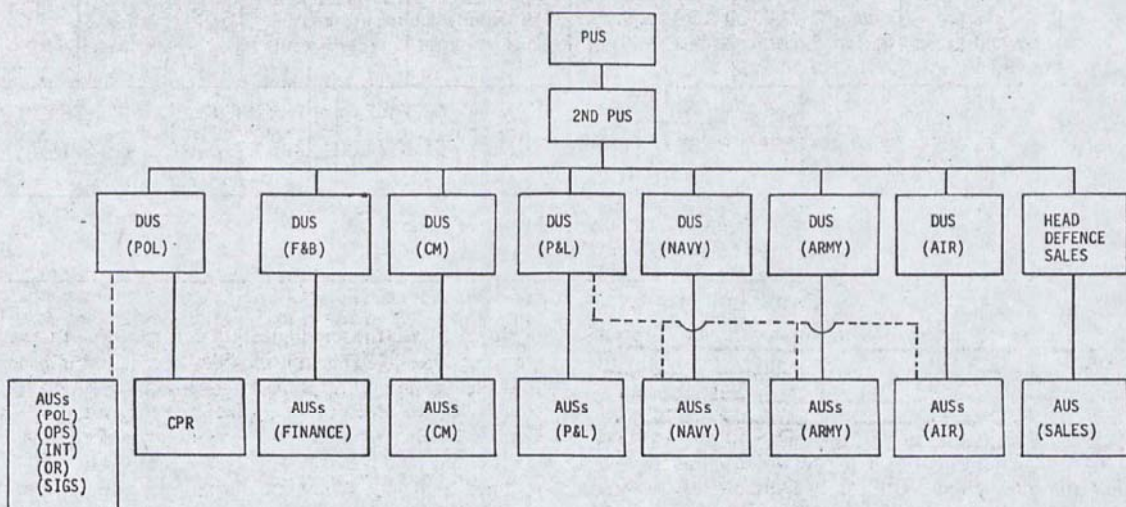


Figure 4. The Suggested Permanent Under-Secretary's Department

3

At Command level, there is a need to establish unified Commanders-in-Chief between the MOD and the single Service Commands both in UK and in Germany. These Commanders-in-Chief would take responsibility for those matters such as planning now delegated to the two Commanders-in-Chief Committees. They would exercise full command over the single Service Commands-in-Chief, both nationally in peace, and within NATO in crisis and war. The Commander-in-Chief (UK) (CINCUK) should become a new Major NATO Commander, assuming this status in place of CINCHAN. The new "Allied Command UK" should encompass the sea area of UK national waters and most of the North Sea, the UK land mass and the airspace above them. CINCUK

would need a joint and combined staff, to carry out national and NATO planning tasks, with UK officers handling purely national defence matters and Allied officers for NATO aspects. The CINCUK post would be filled by a 4-star officer of any Service in rotation.

Under CINCUK would be the five existing national commands; FLEET, Naval Home Command (NAVHOME), UK Land Forces (UKLF), Strike Command (STC) and Support Command (SC). CINCFLFET would retain his NATO appointment as CINCEASTLANT, answering to SACLANT, but as Commander-in-Chief UK Waters (or some such title) would also be answerable to CINCUK. CINCNAVHOME, CINCUKLF and AOCINCSC would become Major

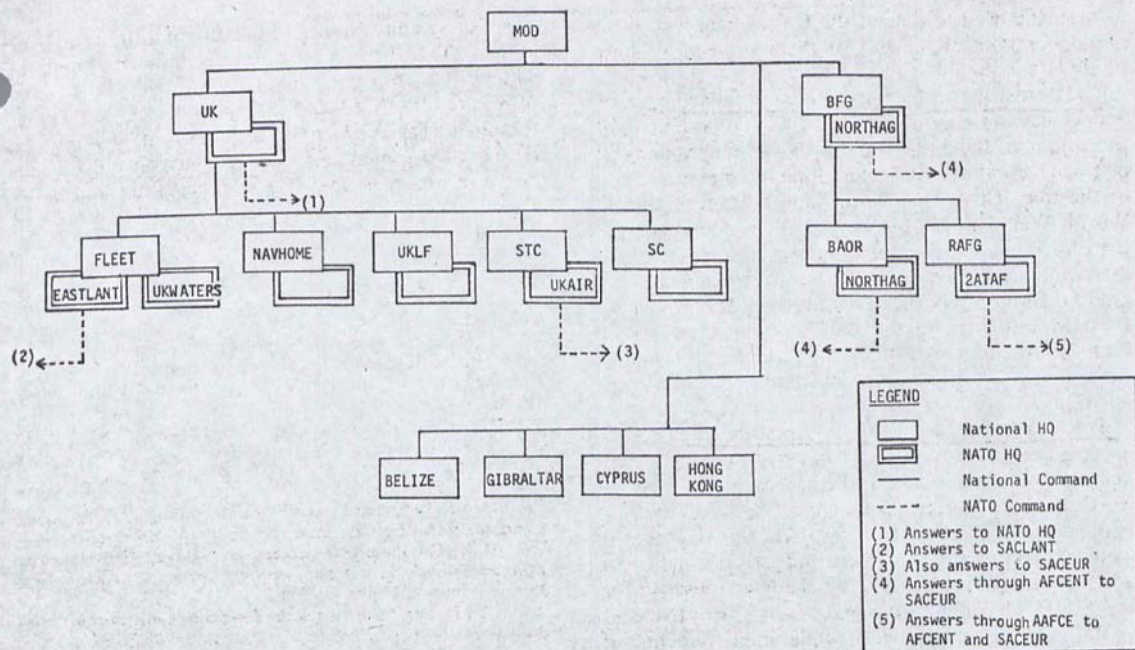


Figure 5. The Suggested Command Structure

NATO Subordinate Commanders answerable to CINCUK for transition-to-war and Home Defence matters. AOCINCSTC would continue to be a Major NATO Subordinate Commander as CINCUKAIR, but answerable to CINCUK only.

In Germany, CINCBAOR should be appointed CINC British Forces Germany with command of BAOR and RAF Germany. He would retain his NATO appointment as COMNORTHAG, while AOCINC RAF Germany would continue as COM2-ATAF. The other overseas commands would continue much as now. An outline diagram of the new Command structure is at Figure 5.

Implementation

Implementing these proposals would be a difficult business. The very fact that implementation would be difficult might well prejudice the opportunity to restructure at all. Hence, without seeking to chart the course exactly, this article would be incomplete without some observations upon the problems of implementation.

No radical restructuring of a kind now proposed could be effected without offending the convictions of those who currently support the present system. The transfer of further single Service authority to the Central Staff would undoubtedly be resisted on several grounds. Some would argue that, under the present arrangements, the semi-autonomous and financially accountable single Service Chiefs of Staff ensure that no "Cromwellian Supremo" could ever gain too much power; that arguments for the allocation of finite Defence votes are now properly and exhaustively deployed as a result of inter-Service competition; that

the Servicemen and women "at the sharp end" are happy only to receive orders from their own Service Chiefs; and that the upheaval involved would not be worth the benefits. The first of these arguments merits careful attention, not because serving officers would necessarily lend it any credence but because politicians might well endorse the holding of such fears by the British public. Time has, however, moved on. The structure of our modern industrialised democratic state is infinitely more complex than in Cromwell's day, our armed forces wield much less political influence and are much smaller as a proportion of the total population. It is difficult to conceive of the circumstances in the UK today or in the foreseeable future when a senior serving officer could accumulate, undetected, the means to threaten the legitimate civil power of the state. Certainly, the problems facing the UK seem to be sufficiently intractable for professional politicians and officials and there is no likelihood that professional military officers would have any new panacea to offer.

The second argument in favour of the current system fails because the competition for resources is inevitably coloured by single Service prejudices which tend to confound true objectivity. The 1960s "carrier battle" between the Navy and Air Force Departments, was a classic episode which no doubt neither would wish to be repeated but there remains a doubt that, whichever of the two may have "won", the nation's defence interests were probably not uppermost in the arguments of the opposing factions. More recently, the argument has involved the replacements for Polaris and for the type 21 frigate, a new generation of amphibious ship, the Army's new main battle tank and the RAF's search for a suitable air defence fighter

to meet the need to defend the UK against a conventional bombing attack, all of them projects of high single Service emotive value.

The third argument is important, but fallacious. Few Servicemen in the front line think much, if at all, about the colour of the cloth worn by the Commander one or two levels above them, let alone the one at the top of the tree. There have been many instances, during World War II and on operations since involving British troops, when sailors, marines, soldiers and airmen willingly carried out orders issued by commanders not of their own Service. The universal esteem in which Lord Mountbatten in the Far East and Admiral Le Fanu in Aden were held by all three Services under their command are but two outstanding examples of this.

The fourth argument is unduly pessimistic. There is never a good time to effect changes of this magnitude and the question whether the upheaval involved is worth the benefit in eventual efficiency is inevitably a matter of judgment. The writer takes the view that it would be. Properly explained, properly thought out and imaginatively executed, the changes envisaged for the MOD need not prove excessively disruptive and could lead to wholly worthwhile improvements in efficiency and economy.

The changes at Command level would not constitute a major upheaval nationally, once the principle of unified command had been accepted. Within NATO, however, there would undoubtedly be problems. The need for the UK, as one of the major European partners in NATO, to provide a Major NATO Commander on a par with the two American Supreme Commanders, has been recognised since NATO's inception, supported by the European members and accepted by the United States. The establishment of the CINCUK would not alter this important and delicate relationship but the difficulty would be to agree the boundaries of his new Command area. However, such a change could benefit NATO tangibly in terms of a more rational command structure. This would recognise the important strategic and tactical interface which the UK sea, land and air masses represent, particularly in terms of reinforcement, and, less tangibly, in terms of the new impetus it would give to the European contribution to NATO. For the UK, it would visibly endorse our vigorous and whole-hearted support of the Alliance.

Conclusion

This article has attempted to point the way to a more rational, more efficient and more objective higher organisation for defence in the UK in the 1980s. It follows the direction indicated by the 1953 Mountbatten concept and advances the steady post-war trend in defence organisation to its logical development. If it has proved to be provocative, without losing all touch with reality, then perhaps it may serve some useful

purpose by contributing to debate on a dynamic issue about which there must be many different points of view.

We are told by a respectable number of pundits that the omens for Western security in the 1980s are bad. Perhaps we should not delay in putting our defence house in order, so that it is slimmer, fitter and better able to meet the growing challenge to deterrence and defence.

1 Cmnd 7826-I, Statement on the Defence Estimates 1980, Volume 1.

2 Cmnd 2097, *Central Organisation for Defence*.

3 Michael Howard has analysed the Central Organisation of Defence in his study for the RUSI of that name (RUSI, London, 1970).

4 Cmnd 2592, Statement on Defence Estimates, 1965.

5 J. C. Garnett, "Some constraints on Defence policy makers" in L. Martin (Ed.), *The Management of Defence* (Macmillan Press, London, 1976).

6 Quoted in Richard Baker's book *Dry Ginger* (W. H. Allen, London, 1977).

7 P. Y. Hammond, *Organising for Defence. The American Military Establishment in the Twentieth Century* (Princeton, New Jersey, Princeton University Press, 1961).

8 C. Mayhew, *Britain's Role Tomorrow* (Hutchinson, London, 1967).

WE, THE LIMBLESS, LOOK TO YOU FOR HELP

We come from both world wars. We come from Kenya, Malaya, Aden, Cyprus . . . and from Ulster. From keeping the peace no less than from war we limbleless look to you for help.

And you can help, by helping our Association. BLESMA (the British Limbleless Ex-Service Men's Association) looks after the limbleless from all the Services. It helps, with advice and encouragement, to overcome the shock of losing arms, or legs or an eye. It sees that red-tape does not stand in the way of the right entitlement to pension. And, for the severely handicapped and the elderly, it provides Residential Homes where they can live in peace and dignity.



Help BLESMA, please. We need money desperately. And, we promise you, not a penny of it will be wasted.

Donations and information: Major the Earl of Ancaster, KCVO, TD., Midland Bank Limited: 60 West Smithfield, London EC1A 9DX.

British Limbleless Ex-Service Men's Association

'GIVE TO THOSE WHO GAVE—PLEASE'

MR. WHITMORE

MS
(Train reading?)

Mr. Pym reported last week on two studies of MOD financial management now in progress.

Clive Priestley has suggested that the Prime Minister might want to build these up, and to ensure that Derek Rayner is involved.

I am a little wary of overkill on this kind of study. But this work does seem to approach the issues which the PM was tossing round with Derek Rayner and Robert Armstrong last week, and Priestley's suggested re-inforcement of the work would, I think, be in line with the PM's current thinking.

I don't know to what extent these studies have any personal link with Mr. Pym.

Do you think it worth putting Priestley's proposals to the Prime Minister, as the basis for a response to Pym's information note? (We should need to be somewhat less disingenuous than Priestley's draft letter about where Colonel Walden's article came to her attention.)

MP

5 January 1981



10 DOWNING STREET

From the Private Secretary

5 January 1981

Alan Turing

The Lord President has received a copy of Sir Derek Rayner's submission to the Prime Minister of 19 December. In this submission, Sir Derek Rayner reports on progress in implementing the results of last year's Rayner projects, offers an interim report on the 1980 Scrutiny Programme, and provides a commentary on the lessons which can be drawn from this work.

The Prime Minister regards this as an excellent report, and has asked that it should be circulated to all members of the Cabinet.

The Prime Minister hopes that all her colleagues will read the report carefully. She would like to draw attention in particular to paragraphs 28, 30 and 35 which will be helpful to Ministers in choosing subjects for future scrutiny; and to paragraph 31, which summarises some of the major lessons which have emerged from the Programme to date.

Paragraph 35 also draws attention to the rise in the costs of central government in the last year. This will be the subject of separate discussion in Cabinet, on the basis of a paper which the Lord President will be circulating in due course. The Prime Minister will want her colleagues to devote particular attention to the problems of these cost increases, and she hopes that they are already considering how the ideas in Sir Derek's report can assist them.

I am sending copies of this letter, with a copy of Sir Derek Rayner's submission, to the Private Secretaries to other members of the Cabinet, to Jim Nursaw (Law Officers' Department), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).

Yours sincerely

Mike Patterson

Jim Buckley, Esq.,
Lord President's Office.

A

Prime Minister 21

12
21



MO 8/2/12

PRIME MINISTER

FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

I believe you would wish to know of two studies of financial management in the Ministry of Defence which are now in progress.

2. The first concerns our financial control procedures. These have not been able to cope with the conditions of deep recession and double digit inflation which has been our experience this year. There is no perfect system which can be guaranteed to bring the defence budget into the nearest £ against the cash limit on 31st March each year, in present or indeed any other economic conditions. That is just not possible. But we must ensure that our arrangements for forecasting, monitoring and control are as effective as we can make them, especially in the procurement area, where this year's problems have been extremely acute. The study will be carried out by an experienced Assistant Secretary in the Ministry of Defence for completion by 31st March who will be assisted by an accountant from the private sector with experience of cash flow control in industry, which our operations in many ways closely resemble. I shall want the study to look particularly at ways of reconciling the conflicting areas of obtaining maximum value for money through our contractual and ordering procedures and cash control on an annual basis. The study will also take account of the examination on which much work is already being done with industry of the scope for applying some kind of cash limit system to the work done for us by industry.

3. The second study is of financial responsibility and accountability. It is a much larger task and will be for completion by the end of September. But I wish to be sure that we have a system which is as specific and precise as possible: that, wherever practicable, specific authority and responsibility is allocated to individuals and not diffused: and that accountability covers, and is seen to cover, not only the acquisition of new resources by Voted money but also the efficient management of existing resources and activities, where our purpose is to achieve maximum economy consistent with our defence objectives. Full account will be taken of the Rayner studies so far completed.



4. Both studies will assume continuation of the present PES and Supply Systems and of the present rules for Government Accounting though changes will be proposed if they are needed. I am looking not simply for analysis but for improvement. As an example, we are moving to monthly payment of bills in February 1981 - which is sensible and will save staff.

5. I shall be taking a close personal interest in the studies and do not preclude their eventual publication, but I would rather not prejudice this. My officials will circulate details to the other Departments who will be interested and with whom we shall keep in touch and consult as necessary.

6. I am sending copies of this minute to Geoffrey Howe, Keith Joseph, Christopher Soames, John Biffen and to Sir Robert Armstrong and Sir Derek Rayner.

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Ministry of Defence

31st December 1980



flk

10 DOWNING STREET

From the Private Secretary

31 December 1980

*BF for Hansard
Announced in
B.I.S.*

The Prime Minister has seen the Chancellor's submission of 23 December, about responsibility for the functions of the United Kingdom Treasury and Supply Delegation in Washington.

She is content with the proposed transfer of responsibility to the Ministry of Defence from 1 April 1981, and she has agreed that the Chancellor should announce this through an Arranged PQ as in the draft attached to his submission.

I am sending copies of this letter to David Omand (Ministry of Defence), George Walden (Foreign and Commonwealth Office), Jeremy Colman (Civil Service Department) and Clive Priestley in Sir Derek Rayner's Office.

M. A. PATTISON

A. J. Wiggins, Esq.,
H.M. Treasury.

sp



PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Chancellor of the Duchy of Lancaster
and
Minister for the Arts.

23rd December 1980

The Rt Hon Margaret Thatcher MP
Prime Minister
10 Downing Street
LONDON SW1

Prime Minister

mb

*You may like to see this
scrutiny proposal.
(Denk Rayner's office are
collating all proposals, and
will submit comments when
the full list is ready)*

Re Prime Minister

MAD 29/ XII

Your Principal Private Secretary's letter of 1st December invited Ministers to let you have proposals for the 1981 scrutiny programme.

2. I should like to put forward a proposal for a scrutiny of my two departmental museums - the Science Museum and the Victoria and Albert Museum. As you will be aware, these are two of the biggest and most important museums in the country, with a high international standing; the value of their collections runs into hundreds of millions of pounds and they attract over seven million visitors a year. They cost about £15 million a year, together, in expenses of running and acquisitions, in addition to very substantial expenditure on their buildings.

3. One reason, in addition to the general desirability of an efficiency scrutiny, for selecting these museums is that unlike all the other museums for which I am responsible, they are staffed by civil servants; their functions and development have been drastically curtailed in a piecemeal way by the special restrictions placed on civil service manpower in recent years, and Paul Channon and I have agreed that any further reductions in their staff complements must depend on a close overall examination of their activities and problems in order to assess their staffing needs in a definitive way.

4. The proposed terms of reference of the scrutiny, which have been agreed with the CSD and the Treasury, are "To review the museums' activities, the contribution they make to the museums' main objectives and the efficiency and economy with which they are being carried out; and to make recommendations on staffing and working methods". I propose to start the scrutiny as early as possible in 1981 with a view to an interim report within three months and completion within six months. The unusual range and complexity of the activities to be examined cannot, in my view, be adequately dealt with in a shorter time.

Contd

5. The scrutiny would be primarily the responsibility of a vigorous young ex-Principal, Mrs Sheena Evans, who left the OAL last year for family reasons but will be able to take on a job of this kind and, on the basis of the excellent work she did here and previously in the Welsh Office, can be expected to do it very well. I have in mind to associate with her a person of very considerable weight and experience in museum affairs: he is a recent ex-director of a major museum outside my own "family", and has had extensive national and international consulting experience. Their reports would be presented jointly to Paul Channon and myself with a copy to John Biffen.

6. I very much hope that Sir Derek Rayner would find himself able to take a particular interest in this study. The topic is well out of the ordinary run of Government activities and I am sure he would find it interesting and rewarding; I would value highly his judgment on the reports and recommendations emerging from it, as well as his guidance on the plan for the study.

7. I have not yet given the directors of the two museums more than a very general indication of what I have in mind. If you are content the Office of Arts and Libraries will discuss the proposals with them in detail before a firm study plan is drawn up and the staff are informed.

8. I am sending copies of this letter to Mark Carlisle (because it has been agreed that the scrutiny programmes for his and my departments should be grouped together), John Biffen, Paul Channon and Sir Derek Rayner.

John Biffen



Prime Minister (then TPL)

Agree to transfer responsibility for UKTSD

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

From Treasury

Yes to Defence?
Yes Agree arranged PQ?
not
MP
23/11

PRIME MINISTER

One of the Treasury's Rayner scrutinies was a review of the United Kingdom Treasury and Supply Delegation in Washington. This office is responsible for the procurement and movement of supplies from the United States, mainly for the Ministry of Defence.

2. The main conclusions of the report are that the size and complexity of the UK's programme of defence equipment purchases from the United States require a continuous presence in America to perform the functions carried out by the UKTSD; and that it is no longer appropriate or desirable for the responsibility for the efficient and proper management of these supply functions to be divorced from the Ministry of Defence, which is responsible for the underlying policy.

3. The Secretary of State for Defence and I accept these recommendations. So does Sir Derek Rayner. I therefore seek your agreement to transfer responsibility for the functions concerned to the Ministry of Defence from 1 April 1981. It will entail transfer of two UK-based and 23 locally engaged staff.

4. The change can be handled administratively. It requires no Parliamentary procedure other than an announcement. I suggest that I might announce it to Parliament in an arranged PQ and Answer on the lines of the attached draft, as soon as Parliament re-assembles.

....



5. I have copied this minute to the Secretary of State for Defence, the Foreign Secretary, Sir Ian Bancroft and Sir Derek Rayner.

(G.H.)

23 December 1980

DRAFT

QUESTION: Will the Chancellor of the Exchequer say what has been the outcome of the Rayner review of the procurement and movement functions of the United Kingdom Treasury and Supply Delegation in Washington included in the reply by the Minister of State for the Civil Service of 1 August to the hon Member for Wolverhampton NE (Mrs Renee Short).

ANSWER: I have arranged for copies of the Report to be placed in the House of Commons Library. The Prime Minister has agreed to the main recommendation that the functions be transferred to the Ministry of Defence. This will take effect from 1 April 1981.



BF 30/12/80

10 DOWNING STREET

From the Private Secretary

22 December 1980

When your Secretary of State spoke to the Prime Minister about the reconstituted PSA Advisory Committee, there was some conversation on the repayment issue. Your Secretary of State said that Sir Derek Rayner had modified some of his original ideas because of the staff implications. He said that a submission would be coming shortly.

The Prime Minister has recently expressed renewed interest in the subject. She would very much like to have an opportunity to discuss it with your Secretary of State and Sir Derek Rayner before the House resumes. It would be most helpful if the submission could reach the Prime Minister in time to allow such a meeting to take place before the end of the recess.

I am sending a copy of this letter to David Allen in Sir Derek Rayner's office.

M. A. PATTISON

D.A. Edmonds, Esq.,
Department of the Environment.

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Reuss 1.

PRIME MINISTER

Here is an end of the year report from Derek Rayner, covering the original "Rayner Projects" and the results to date from this year's scrutinies, together with a commentary on the lessons to be drawn from this work.

Derek suggests that this paper should be circulated to all Ministers in charge of Departments. Agree?

Would you like us to draw colleagues' attention to particular aspects of the report? Paragraphs 28, 30 and 35 are helpful on the criteria for choosing subjects for scrutiny; paragraph 31 sets out some major lessons which have emerged from the programme to date.

It is an excellent report

Yes please

M.P.

22 December 1980

Sort Mack
Rayner
1/1/80

aa
Rayner file

MA



CENTRAL CONTROL: RELEVANT STUDIES, 1980

1. SCRUTINIES

- (1) The Treasury's Financial Information System
(by Dr Hinkley)
- (2) Financial Administration in Northern Ireland
(by Mr McKeown and others)
- (3) Financial Control over the Water Industry
(by Mr Braybrooks, DOE)

2. LASTING REFORM: RE-STATEMENT OF AIMS/METHODS OF CENTRAL CONTROL

- (1) Review of Treasury's Specific Expenditure Divisions
(by Mr Bailey and Dr Hinkley)
- (2) Review of Treasury's General Expenditure Divisions
(by Mr Littler)
- (3) Review of CSD's Expenditure Control Function
(by Mr Wilding and Mr Wollen)

3. OTHER STUDIES

- (1) Interdepartmental Group on the Survey System
(Mr Mr Littler)
- (2) Review of Departments' progress in developing
output measurement (by Mr Littler)

4. MINISTERIAL etc COMMENTS

By Chancellor, Cockfield, Lawson on 1(1); 2(2)
By Rayner on 1(1); 1(3); 2(1) - (3)

5. PRODUCT

Very thin draft paper on Central Control by Chancellor.

Rayner Pt 7
(copy)



As Patten

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

19 December 1980

The Rt Hon Francis Pym MC MP
Secretary of State for Defence

*12
17/14*

Francis

Pwb. Exp. Pt 13.

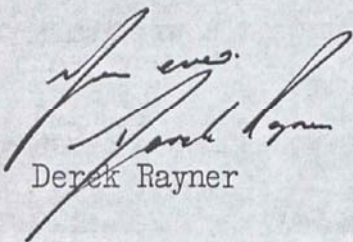
1. Thank you for copying to me your letter of 16 December to Michael Heseltine.

2. It is not of course for me to comment on the particular in this case as each Department works to meet the requirements placed upon it by the public expenditure cuts. But what you say in your letter adds to the examples that I have collected through the scrutiny programme of how it is sometimes necessary to spend money before you can save it.

3. At the moment this is easier said than done. It often conflicts with other objectives. For example: some savings can only be achieved through an increase in staff (which conflicts with the manpower target); others require an investment this year to achieve a pay-off in the next and subsequent years (which conflicts with this year's public expenditure target); whilst yet others require expenditure by another Department, as in the case you write of (which conflicts with each Department's individual efforts to meet its expenditure cuts).

4. The various moves towards repayment will help remove the conflict that arises when under "allied service" savings in one Department require expenditure in another. The proposals that I shall be bringing forward shortly to charge Departments for PSA supplied goods and services are aimed at providing Departments with an "own budget" against which to define their accommodation requirements. In the first instance my proposals will not meet your point about Departments being responsible for their own decisions about how much should be spent on new works services. I shall however be proposing the setting up of a Development Group to look into this and other ideas, with which I have much sympathy so long as they jeopardise neither the whole nor the objective of greater efficiency and economy in the use of accommodation. But I think we need first to get a decision on repayment. The two go hand in hand since it is necessary to give Department's the right financial framework within which to manage their existing accommodation before giving them greater responsibility for new works.

6. I am copying this to the Prime Minister, Geoffrey Howe,
Christopher Soames, Michael Heseltine, John Nott and John Biffen.



Derek Rayner



1979 "RAYNER PROJECTS" AND 1980 SCRUTINY PROGRAMME

1. The purpose of this minute is to offer you
 - a report on progress with implementing last year's "Rayner projects", updating my note of 26 March;
 - an interim report on this year's scrutiny programme; and
 - a commentary on the lessons to be drawn from the projects and scrutinies.

2. I am reporting separately on the review of Government statistical services.

3. I recommend that this minute should be circulated for the information of Ministers in charge of Departments.

1979 Rayner Projects

4. I attach as Annex A a summary of progress towards implementation of last year's 29 projects showing expected savings and the timetable for completion of implementation.

5. Action is generally well advanced. There has been slower progress in 4 of the 29 projects pending substantial follow-up study. These are:

- Civil Service Department (charging for courses at the Civil Service College)
- Manpower Services Commission (Review of TOPS Allowances)
- Department of Energy (Organisation of Research and Development in New Energy Technologies)



- Department of Health and Social Security
(Arrangements for Paying Social Security
Benefits).


This necessary follow-up work is now complete and decisions have been taken in principle in the cases of DHSS (resulting in just over half the savings identified in the project report)* and the MSC. A decision is imminent in the case of the Department of Energy. The decision on whether to put the Civil Service College onto repayment has been deferred until June 1981, though some changes in College procedures have already been implemented.

6. In the other 25 projects some implementation has already occurred. It will be completed by next year in most cases. In only a very few cases does it extend into 1982 and beyond. It is heartening that the main direction of change recommended by examining officers has found acceptance with Ministers, though some final decisions still depend upon the outcome of consultations.

7. The savings associated with the 27 projects on which decisions have been taken in principle amount to £67 million per annum and £23 million once-for-all. (The DHSS project on benefit payments accounts for £38 million of the annual savings.) The number of posts saved amount to 1382, net of the extra 300 staff needed to implement the DHSS project.

8. The absolute size of savings has been small in many projects. But it conceals some quite significant percentage savings eg 40 per cent savings in staff employed in the administration of capital grants to farmers, 50 per cent savings in the cost of the Northern Ireland rate collection system, 11.5 per cent savings in staff effort

* Decisions announced on 9 December in White Paper: Reply to the First Report from the Social Services Committee on Arrangements for Paying Social Security Benefits (Cmnd 8106)



on the Inland Revenue PAYE Movements Procedure and 7 per cent savings in the cost of the Department of Industry's statistical services.

9. Not all the projects were aimed at achieving immediate savings (eg Department of the Environment project on Management Information for Ministers). Others have benefits over and above financial ones (eg a more efficient paper-handling system and better use of clerical staff in Treasury). In some cases also the savings are not immediately quantifiable (eg switch to using more part-timers in unemployment benefit offices).

10. Many Departments have made public their findings either by releasing the full report or issuing a consultation document or announcing the decisions to Parliament.

11. In conclusion, I believe that there has been generally good progress towards implementation. Some projects have involved difficult political decisions, especially where the recommendations have fallen upon policy or particular interest groups who have in effect, a preference for inefficiency or for levels of service to which they have grown accustomed, the cost of which is borne by the anonymous "State". It is encouraging that Ministers have been firm in their resolve to achieve so many of the improvements in efficiency identified by the project officials.

1980 Scrutiny Programme

12. 39 scrutinies were mounted this year, involving 72 examining officers and assistants. So far 35 have been completed and the reports submitted to Ministers, at a cost of just over £0.6 million. Of the remainder 3 will extend beyond the end of the year (DHSS: Validation of National Insurance Contribution Records;


MSC: Review of the Training Services Division; DTp: Standards and Certification of Roads and Bridges).

13. You asked me to take a particular interest on your behalf in 16 scrutinies and, together with the Secretaries of State for Employment and Social Services, you yourself received a presentation in November by the excellent team they appointed to examine the delivery of unemployment and supplementary benefits to the unemployed. Treasury Ministers asked me to associate myself closely in a further two and the Secretary of State for Defence in a further one.

14. In those 19 cases my involvement has been in agreeing the terms of reference and study plans; seeing the examining officers individually; commenting to Ministers on the completed reports and agreeing Action Documents. In addition I have accompanied the examining officers of 5 scrutinies on visits (DOE/DTp Regional Office in Manchester; Department of Transport's London Enforcement Office in Sidcup; Northern Ireland Office in Belfast; a Jobcentre in Reading; and a tax office in Bermondsey).

15. In the other 20 scrutinies my involvement has necessarily been more limited: agreeing the terms of reference and study plans; meeting the examining officers collectively; seeing the reports and commenting where the Minister invited me to do so or I felt it necessary. My office has been available to advise where required. I saw all examining officers together at a briefing meeting at the start of the programme and again half way through and arranged three de-briefing discussions with smaller groups in the autumn.

16. As with last year's projects, I have been impressed by the very high quality of most examining officers; by the amount of work they have been able to accomplish working



to a very tight timetable on their own or in very small teams; by their independence of thought; and by the ability, dedication and co-operation of the staff working in the areas under scrutiny.

17. Most Ministers and senior officials have involved themselves either in the course of the scrutiny or, more usually, in the follow-up. I am grateful for this. Not only does it encourage and assist the examining officers but it is also indispensable in ensuring that action follows upon study. I am also grateful for the direct support given to some examining officers at critical points in their exercises.

18. The involvement of Departmental Staff Sides has varied from an active and helpful interest through a distinct lack of interest to fitful hostility. Examining officers have been punctilious in their efforts to inform and involve Staff Sides. In only 2 cases have there been serious problems of non-co-operation: the joint DE/DHSS scrutiny of the Delivery of Benefits to the Unemployed and the DHSS scrutiny of the Validation of National Insurance Records. This caused the projects to be delayed.


19. The 35 scrutiny reports received so far have identified potential savings of £107 million per annum and some 7600 posts. In percentage terms some of the savings are even more substantial than last year, eg 80 per cent savings in staff employed by the Inland Revenue in the issue of PAYE Deduction Cards, 95 per cent savings on the cost to the Inland Revenue of holding Accounts Registers, 40 per cent savings on the net cost of the Forestry Commission's administration of grants and licences and 13 per cent savings on the cost to the Department of Industry of administering Regional Development Grants.

20. I attach as Annex B a summary of the scrutiny programme's findings and recommendations, identified savings and action to date.

21. The joint DE/DHSS scrutiny of the delivery of benefits to the unemployed accounts for some £77 million of the identified annual savings and 5000 posts. The recommendations involve decisions which could and probably will mean difficulties, if only of presentation, with Parliament, the press and the Staff Side. They will also involve once-for-all expenditure, over the next 5 - 10 years, of £50 - 90 million, an important example of the principle that it may be necessary to invest in the short term so as to secure long term savings.

22. The other scrutinies involve much smaller, though no less important, savings - in some instances measured in hundreds of thousands rather than millions of pounds. But these smaller ones can raise important issues involving significant policy decisions. For example, the DHSS scrutiny of support for health care exports identified savings of £500,000 - tiny in DHSS terms - but raised the important question whether DHSS should be doing this work at all; it concluded that it would be more effective for industry to spearhead the exports effort and for the Department to concentrate on using its purchasing policies to strengthen the home base.

23. It is in any case important that small pockets of activity are subjected to periodic scrutiny. Their smallness can sometimes cause them to be overlooked. For example, the Ministry of Defence scrutiny of the Claims Commission found that costings of the Commission's operations were not available (except on an over simple "Ready Reckoner" basis) and that no costings had been done of claims payout/costs versus outside premiums. And when the examining officer looked at the Hong Kong office he found that it cost more to administer than the amount paid out in claims.



24. Again, not all scrutinies were aimed at direct savings (eg Health and Safety Executive Scrutiny of methods and practices of assessing the costs and benefits of health and safety requirements); others were unable to quantify savings which improvements might secure later (eg Ministry of Defence scrutiny of standards, quality and cost of new building works). Moreover, in many cases there were recommendations over and above those relating to money savings which would ensure a better quality service, improved staff morale etc.

25. The completed reports are now being considered by Ministers. It is too early to comment substantially on progress towards implementation. But on the basis of the few Action Documents that I have seen so far, Ministers are again accepting the main thrust of the recommendations and wanting to move to implement quickly, taking into account the need to consult affected interests and, in some instances, finding time in the Parliamentary timetable.

26. I am asking all Ministers to provide me with copies of their Action Documents (I only have to agree them in those cases where I am taking a particular interest on your behalf) to enable me to report to you in Spring 1981 on progress towards implementation.

Lessons drawn from projects and scrutinies

27. The projects and scrutinies have shown that, given the right motivation and determination, there are substantial opportunities for reform and that, through harnessing the talent and enthusiasm that exist in departments, reform is achievable from within.

28. To my mind the factors that have contributed to the programme's success are these:

- a. A firm lead from the top (from Ministers and senior officials); firm delegation down (to



good quality examining officers); a short reporting line back (from examining officers to Ministers, unfettered by Committees and hierarchy); access to technical support when needed; and the freedom of examining officers to be independent and free-thinking.

b. All aspects of the activity under scrutiny were open to question, to the point of challenging its very existence.


c. Examining officers went to the point where the work is done. They tapped the experience and knowledge that reside there by asking such common sense questions as "What does this task cost? Why do we do it this way? What value is added by it? Why do we do it at all?"

d. Examining officers were refreshed in their freedom and in their sense that there was a Ministerial interest in their work, at the top of their own department and - importantly - at the centre of government, which would cause action to follow their studies.

29. A short, sharp 90-day review may not ask all the right questions or bring all problems to a solution but the scrutiny programme has shown that it provides a firm basis for action. And it does so economically at an average cost per scrutiny of around £17,000.

30. I believe that it is now unlikely that one would approach most subjects except with the expectation that scope will be found for:

- significant reduction of work;
- simplification and improvement of procedures and methods;

- 
- clarification of authority and of responsibility;
 - and the better use of staff

Moreover few scrutinies are unique in the problems which they identify. There are common threads to learn from.

31. It is not possible in a summary note to do justice to the total findings of and the lessons to be drawn from the 68 projects and scrutinies undertaken over the past 18 months. Being necessarily selective, I would make the following points:


a. Remembering that, in almost all cases, the scrutiny programme reveals how people work and behave, I am glad to draw attention to the loyalty, devotion, enthusiasm and imagination referred to in several project and scrutiny reports. The point is best made by reference to examples, of which a few are:

The work of the Procurement Section of the UK Treasury and Supply Delegation in Washington

The work of B4 Division of the Home Office's Immigration and Nationality Department in Croydon

The fact that staff of DHSS keep the Social Security system going.

b. It is obviously important to give the talent available responsibility commensurate with its quality and capacity. The Chain of Command Review is relevant to this. It is equally essential to take care over specifying the authority delegated. I was much struck by the comment of an experienced Permanent Secretary that all the scrutinies with




which he was familiar revealed fuzziness and obscurity about responsibility, not least in relation to the use and management of resources. A clear example of excessive supervision of staff and insufficient discretion occurred in the Department of Industry scrutiny of the administration of Regional Development Grants.

c. There is scope for simplifying grant/payment schemes operated by Government and of the procedures, rules, regulations and methods of working that surround them. This has been indicated in all scrutinies of such activities carried out so far: MAFF (capital grants to farmers); Department of Industry (regional development grants); the Forestry Commission (grants to woodlanders); DHSS (benefits to pensioners and others); and the DES (awards to students). They variously uncovered outmoded systems, excessive complexity, cumbersome procedures, rules and regulations designed to cater for every circumstance, excessive checking, poor delegation within offices and nannying of clients.

d. There is greater scope for charging client groups for administrative costs of services provided. This was shown to be the case in Home Office radio regulation, Forestry Commission licensing of felling, Department of Trade services to exporters and DHSS support for health care exports. The effect of the charging proposed in these 4 scrutinies will be to reduce the net cost of government by £6.5 million per annum.

e. It is important to check regularly that administrative systems do not get left behind by developments in management practice or technology, especially computerisation, and to



accept that managing the state in a way appropriate to modern times must mean capital and other investment in the short term to secure longer term benefits. The Inland Revenue scrutiny of PAYE Deduction Cards found that such cards had outlived their original purpose and were largely ignored by employers in the wake of changes in payroll technology. (The system is now to be radically changed at a saving of £4 million a year, 700-750 posts which represent around 80 per cent of the present staff effort.) The Northern Ireland project on the rate collection system found that following the computer preparation of rate demands all subsequent work was done manually. This is slow and expensive and the tasks involved (recording payments, preparing reminders, statistical records etc) are ideally suited to computerisation. The cost of the proposed computer system will be covered by 3 months staff savings. Drawing on this experience, the Lord President has now invited all Departments to appraise their opportunities for small scale computerisation with an early pay-off.

f. It must be asked whether the effort put into an activity yields commensurate results. One of the Department of Transport scrutinies showed that it cost the Department £4.7 million per annum to recover £5.6 million per annum of unpaid Vehicle Excise Duty (which totals more than £100 million per annum); if allowance is made for police and court time there is almost certainly a net loss in public expenditure. The Forestry Commission scrutiny revealed that the Small Woods Grant Scheme costs £91 to administer for every £100 of grant paid. The DHSS scrutiny

found that DHSS efforts in support of health care exports were fragmented, not all directed to the main problems and possibly inimical to meeting the true needs of industry by competing with and confusing industry's own activities.

g. It is important to ensure that staff effort does not get out of balance. In one of the local offices which I visited, for example, there were too many staff making enquiries, too few processing the results and too many available for follow-up work. The result was bottlenecks in some parts of the office and under-employment in others.

General

32. The scrutiny approach is used most easily in respect of a particular function, activity or issue lying wholly within the Government's control. It is also well adapted to matters crossing the border between Government and such outside interests as those of client groups (eg social security beneficiaries) or other agencies, provided the point of departure is clear and well defined. It is wasted if used to supplement the management of a particular function or activity or to examine areas known to be subject to imminent policy changes or which are comparatively trivial. It is a useful means of investigating systems (eg financial control); I would not want to rule this out for the future, although it should be kept within limits.

33. Because of the impetus which you and your colleagues have given it, the scrutiny programme is regarded as special and examining officers as having something of a cachet. I am encouraged by the fact that several of the Ministers and officials I have met recently have had good ideas for the programme. Naturally, I welcome this. The


programme will flourish as long it is seen as addressed to things that matter, as useful and not as a bureaucratic chore.

34. It is clear, then, that Ministers and their officials for the most part take the scrutiny programme seriously and that it will continue to provide opportunities for reforming particular things. But I should apply to it the test of "added value" which I enjoin on others. Should we be content with the scale on which the programme is operating and its apparent effectiveness?

35. The answer must be, "No". The cost of having central Government has gone up by 25% to £8.3 bn this year. So the potential for administrative savings is huge. As far as the scrutiny programme is concerned, the potential should be tapped in three ways:

a. The greatest scope for improving the efficiency of Government will come as particular lessons are read across to other activities both between Departments and within Departments (see below) and the scrutiny method is applied outside the formal scrutiny programme. CSD Ministers have been applying a central stimulus to this read across (eg activities in support of local authorities, industrial sponsorship) and they may well wish to do more of this in future.

b. It would defeat the intention if the selection of subjects for scrutiny was dealt with on the footing that something must be found for the next 12 months. Each scrutiny should contribute something to the management plan for each department; each should leave the Minister in charge and his officials with questions that should be asked about other areas of activity.



There are encouraging signs that this is so in some departments, one of which has devised its own internal scrutiny programme. To assist in this I propose to circulate to Permanent Secretaries précis of this year's scrutinies.


c. It is now manifest that the programme has a key role to play in securing greater efficiency in the use of staff and things. The choice made by the Secretaries of State for Employment and Social Services of the "big system" administration in which they are jointly involved, together with the MSC, has proved this beyond a shadow of doubt. The biggest returns will obviously come from the selection of expensive administrative and other activities and I hope that any department which has so far hesitated about getting into its deeper waters will be encouraged by the example of those who have.

Acknowledgements

35. I acknowledge with gratitude the help that I have had from officials of the Civil Service Department, HM Treasury and the CPRS in the "Rayner project" and the scrutiny programme.

Recommendation

36. I invite you to
- a. take note of this minute and its Annexes; and
 - b. agree that they should be circulated to your colleagues.



37. I am copying this to the Chancellor of the Exchequer, the Lord President of the Council, Sir Ian Bancroft, Sir Douglas Wass and Sir Robert Armstrong.



Derek Rayner
19 December 1980

Encs: Annexes A and B

1979 RAYNER PROJECTS

Annex A

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Numbers		
Home Office	The Radio Regulatory Department	£2.6m	6	1981/82 FY	Main part of savings derive from increased <u>charges</u> for licences.
Lord Chancellor's Department	Attachment of Earnings Procedure	-	-	early 1981	Main benefit is better speedier service to creditors. Realisation of this dependent upon meeting of Rule Committee in early 1981.
Foreign and Commonwealth Office	Merger of FCO and ODA	£0.43	30	end-1980	The project report was followed up by a Management Review of the ODA, which reported in July 1980. Implementation of the review's findings virtually complete. Further savings possible following review of Common Services and Information Department.
HM Treasury	Paper Handling and The Registry System	£0.04m	5	(See comments)	Implementation originally planned for October 1980; all preparatory work completed on time; implementation suspended pending decision on CSD/Try merger.
Inland Revenue	PAYE Movements Procedure	£2.0m	350	April 1981	
Customs and Excise	Review of London and South East Collections	£0.87m	67	October 1980	The new office structure will be subject to a staff inspection in 1981

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Numbers		
Department for National Savings	Handling of correspondence with members of the public	£0.26m	20	Part by November 1980	60% of savings dependent on legislation, timing of which is uncertain
Department of Industry	Review of Statistical Services	£1.0m	80	end-1982	Most of savings will be achieved in period 1980-81
Ministry of Defence	Review of arrangements for supply of food to armed forces	£0.25m plus £3.05m once-for-all	-	1981/82 FY	Over half savings achieved in 1980/81 FY. Additional savings to those identified expected following completing of NAAFI Review (finalised in 1981/82)
Civil Service Department	Charging for courses at Civil Service College	-	-	(See comments)	Some changes in college procedure already implemented; decision on charging for courses to be taken in June 1981.
Department of Employment	a. Peaking of work in unemployment benefit offices	-	-	Most by June 1980	4 out of 5 recommendations implemented. Decision on outstanding recommendation deferred due to increase in unemployment and limited computer capacity. Savings unquantifiable in advance of switch to part-timers
	b. Part-time and small full-time benefit offices	£0.1m	19	end-1981	Savings less than the £1.0m pa identified in the project report due to increase in unemployment

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Numbers		
Manpower Services Commission	a. Review of Skillcentre network	£7m plus £14m once-for-all	400	early 1983	Closures have begun. Over half will have been achieved by end-1981. Detailed Action Document outstanding.
	b. Review of TOPS Allowances	£3.25m	-	April 1981	Some savings in staff expected but yet to be quantified. The £3.25m p.a. are savings on MSC Budget. There will be some additional expenditure in DHSS But because of complex inter-relation between benefits and allowances, impossible to say how much.
Ministry of Agriculture	Administration of capital grants to farmers	£2.9m	400	October 1980	Savings not fully achieved until 1984/85 as claims under old scheme run-down and new scheme build up. Over half savings will be achieved by April 1982/83
Department of Environment	Provision of Management information for Ministers	-	-	April 1980	Not about <u>direct</u> savings but providing the <u>information</u> base for good and effective management.
Property Services Agency	a. Management of the Kingston estate	-	-	November 1980	Recommendations aimed at improved management. Modest <u>direct</u> savings not yet quantified. Scope for savings through more intensive development of Kingston estate frustrated by lack of funds. Some recommendations taken up in wider reviews.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Numbers		
Property Services Agency (cont.)	b. Energy Conservation on the Government Estate	-	-	end-1981	Savings attributable to report's recommendations not quantifiable. They will contribute to achievement of energy conservation target of 12 per cent of 1978/79 levels by 1982/83.
	c. Maintenance Economy Review (Bath)	£0.4m plus £6.0m once-for-all	-	1981-82	£0.095m of annual savings already achieved. Capital savings will be realised continuously over next 1-2 years.
Scottish Office	Review of Consultative Committee on the Curriculum	£0.09m	6	Part by end-1981	Longer term picture still subject to evaluation in the light of a new streamlined CCC structure being evolved.
Welsh Office	a. Controls over local authorities in respect of highways	£0.12m plus £0.01m once-for-all	10	August 1980	
	b. Controls over LEA building	£0.08m	9	January 1981	Most recommendations implemented by summer 1980.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Numbers		
Northern Ireland Office	a. Rate Collection system in N. Ireland	£1.4m	180	April 1983	Some implementation by April 1981 (saving £0.2m) Main cause of long period of implementation is need for computerisation.
	b. Methods of recovering public debt	-	-	Most by November 1980	Some of more "sensitive" recommendations still under active consideration. Project not about savings. Rather aimed at returning to "normal" methods of debt recovery without a deterioration in debt collection.
Department of Health and Social Security	Frequency and method of benefit payments	£38m	+300	end-1985	Still subject to consultations. Savings build-up over period to full amount in 1987/88. Additional staff could be <u>less</u> than 300.
Department of Trade	Services to Exporters	£6.5m	100	1983/84	Savings derive from the project and related recommendations by the BOTB. Over half the savings arise from increased charges. They will be achieved progressively over the period to 1983/84. Recommendations relating to reorganisation still being worked up with a view to completion by mid-1981.
Department of Energy	Organisation of non-nuclear research and development on new energy technologies	(see comments)	(see comments)	(see comments)	Await decisions consequent upon follow-up studies. These are imminent.

DEPARTMENT	PROJECT	EXPECTED SAVINGS		IMPLEMENTATION	COMMENTS
		£ pa	Numbers		
Department of Education and Science	Administration of the teachers pension scheme	-	-	(see comments)	No immediate savings identified. Eventual savings dependent upon making fundamental changes which are now under consideration. Various studies should be completed in the course of 1980-81.
Department of Transport	Review of Road Construction Units	-	-	end-1981	Recommendations aimed mainly at "privatisation" of most trunk road and motorway building, leading to most of the 1,600 LA employed staff being shed.

1980 SCRUTINY PROGRAMME

HOME OFFICE

Scrutiny

Applications for naturalisation and registration as a UK citizen

Main Findings

Work generally demand-led. Operation of procedures economical, but scope for streamlining. Serious arrears of work.

Main Recommendations

Procedural changes. Changes to level and methods of collection of fees. Applications work to be co-located with rest of department.

Cash Savings per annum

-

Staff Savings

-

Comments

Action document agreed. Most recommendations accepted. Many will need legislation. Timing uncertain. Sir Derek Rayner has put forward two suggestions for reducing delays: (a) recruit retired police officers to reduce burden on Metropolitan Police and speed up handling in London; (b) variation to "first come, first served" principle.

LORD CHANCELLORS'S DEPARTMENT

Scrutiny

Administrative arrangements for summoning and service of jurors.

Main Findings

Inevitable uncertainties in number of jurors required limit possible savings, but scope for improvement.

Main Recommendations

Courts should review the number of jurors summoned. Changes in procedures and layout of forms.

Cash Savings per annum

£0.1 - £0.2 million
1-2 per cent of total.

Staff Savings

Not quantifiable.

Comments

Report received in November. Consultations in progress.

FOREIGN AND COMMONWEALTH OFFICE

Scrutiny

Official transport for Diplomatic Service posts overseas

Main Findings

Diplomatic Service has too little control over vehicle purchasing policy and programme.

Main Recommendations

FCO to deal direct with manufacturers and allowed to sell surplus vehicles and retain proceeds. Should not be tied so rigidly to "Buy British" policy.

Cost Savings per annum

£0.6 million.

Once-and-for-all saving of £0.25 million plus.

Staff Savings

25-30.

Comments

Extensive consultations with interested departments. Implementation of internal recommendations begun.

OVERSEAS DEVELOPMENT ADMINISTRATION

Scrutiny

Directorate of Overseas Surveys

Comments

Report expected by end of the year.

TREASURY

Scrutiny

Monitoring of Government Expenditure

Main Findings

Financial Information System (FIS) does not meet all needs of Centre or departments.

Main Recommendations

Changes to FIS; more use to be made of data; procedural changes in expenditure divisions; improve compatability of central and departmental systems.

Cash savings per annum

Not quantifiable

Staff savings

-

Comments

Action document agreed. Wider implications also being pursued.

TREASURY

Scrutiny

Procurement in UK Treasury and Supply Delegation

Main Findings

Function necessary, but should rest with MOD not Treasury.

Main Recommendations

Transfer supply function to MOD. Repayment customers should pay more for service.

Cash Savings per annum

£4,000 (extra revenue)

Staff Savings

-

Comments

Transfer of function and other recommendations agreed. Increase in revenue will be offset by higher costs to centrally-financed non-Exchequer bodies.

TREASURY

Scrutiny

Rating of Government Property Department

Main Findings

Crown valuation function performed well, but may not be necessary.

Main Recommendations

Either -

- (i) Improve procedures
- (ii) Amalgamate with Valuation Office
- (iii) Compensate local authorities through block grant mechanism.

Cash Savings per annum

Up to £0.42 million
82 per cent of total expenditure

Staff Savings

32

Comments

Report still under consideration.
Maximum savings only obtainable under Option (iii).

INLAND REVENUE

Scrutiny

PAYE Deduction Cards

Main Findings

Procedures labour-intensive. Outlived original purpose. Largely ignored by employers.

Main Recommendations

Radical changes in system. Deduction cards not to be issued where code unchanged. Simplified forms.

Cash Savings per annum

£4 million.

Staff Savings

700-750
80 per cent of posts.

Comments

Action document agreed. Operative date for new system 6 April 1981. DHSS may need extra staff to correct additional mistakes which may arise from employers doing more of the task.

INLAND REVENUE

Scrutiny

Use of Accounts Registers in Tax Districts

Main Findings

System cumbersome; data can be obtained elsewhere.

Main Recommendations

Registers to be abolished. More performance evaluation.

Cash Savings per annum

£0.97 million

95 per cent of total expenditure

Staff Savings

190

Comments

Recommendations accepted and implemented from November 1980.

INLAND REVENUE

Scrutiny

Statistics and Analyses of Rateable Value

Main Findings

Procedures for objecting to and changing lists too complicated.

Main Recommendations

Proposals for reducing paperwork and delays by changing procedures.

Cash Savings per annum

£1.5 million

20 per cent of total expenditure

Staff Savings

300

Comments

Only 10 per cent of savings achievable without legislation. Non-legislative recommendations being pursued. Others awaiting DOE decision on rating system.

INLAND REVENUE AND HM CUSTOMS AND EXCISE

Scrutiny

Arrangements for dealing with insolvent tax payers.

Main Findings

Central unit to deal with insolvent taxpayers is not appropriate.

Main Recommendations

New "de minimis" and de-registration procedures. More computerisation.

Cash Savings per annum

£0.3 million
17 per cent of total expenditure.

Staff Savings

56

Comments

New procedures being discussed in Inland Revenue and HM Customs.

HM CUSTOMS AND EXCISE

Scrutiny

Control of distilleries and associated warehouses.

Main Findings

Legislative changes would permit more economical use of staff.

Recommendations

Distillers to take on some Customs and Excise functions. Customs and Excise to have more discretion. Procedural changes.

Cash Savings per annum

£0.9 million
25 per cent of total expenditure.

Staff Savings

125

Comments

Action document expected March 1981.

DEPARTMENT OF NATIONAL SAVINGS

Scrutiny

Conversion of Premium Bonds to computer working.

Main Findings

Procedures working well, but additional benefits from completing conversion at an earlier date.

Main Recommendations

Bring forward date for completion of conversion by 6 months to October 1985.

Cash Savings per annum

-

Staff Savings

-

Comments

Action document drawn up. Recommendations accepted.

DEPARTMENT OF INDUSTRY

Scrutiny

Regional Development Grant Scheme

Main Findings

Excessive checking. Rules over-complex. Duplication. Scope for standardisation.

Main Recommendations

Rewrite rules. Simplify forms. Eliminate duplication. More discretion for staff. Tighten inspection. Further study of organisation and methods.

Cash Savings per annum

£0.5 million
13 per cent of total expenditure.

Staff Savings

75

Comments

Action document agreed. Most recommendations to be implemented by 1981; some extended to 1984.

MINISTRY OF DEFENCE

Scrutiny

Claims Commission

Main Findings

Effort not related to size of claims. Activities not properly costed.

Main Recommendations

Move HQ. Close Area Office. More detailed costings. Procedural changes. Examine possibility of putting insurance out to brokers.

Cash Savings per annum

£0.22 million

Staff Savings

5

Comments

Action document agreed. Recommendations accepted in principle. £0.2 million of savings will come from other departments' Votes.

MINISTRY OF DEFENCE

Scrutiny

Secondary Education Overseas

Main Findings

Scope for changing administration of service whilst retaining element of choice.

Main Recommendations

Reclassify certain schools. Shut two schools. Better collaboration and training. New provision for children travelling long distances.

Cash Savings per annum

£5 million (approx)
6 per cent of total expenditure

Staff Savings

220 (approx)

Comments

Logistics and costings still to be determined. Action document expected February 1981.

MINISTRY OF DEFENCE

Scrutiny

Economy in major new building works.

Main Findings

Service not lavish, but private sector more decisive. Too inflexible.

Recommendations

More standardisation. Proposals on standards, timescales and control.
More professional approach.

Cash Savings per annum

Not quantifiable.

Staff Savings

Not quantifiable.

Comments

Action document expected March 1981.

MINISTRY OF DEFENCE

Scrutiny

Inspection and Audit

Main Findings

Necessary functions, but scope for getting better value for money.

Main Recommendations

Bring functions together under one man. Improve co-ordination. Audit to be made more selective.

Cash Savings per annum

£2.8 million

Staff Savings

200
(30 per cent of posts)

Comments

Report received December. Consultations in progress.

MINISTRY OF DEFENCE

Scrutiny

Assisted Travel Schemes

Main Findings

Provision of transport in remote areas is justified. Where assistance provided as a financial incentive, schemes should be reviewed to determine whether necessary.

Main recommendations

Threshold distance before assistance given to be extended. MOD to determine level of employee contribution centrally.

Cash savings per annum

£1.2 million
22 per cent of total expenditure.

Staff savings

-

Comments

Consultations with PSA and CSD in progress.

CIVIL SERVICE DEPARTMENT

Scrutiny

Technical Services (TS) in Central Computer and Telecommunications Agency.

Main Findings

In general benefits outweigh costs, but scope for even better value for money.

Main Recommendations

Cut back where departments should be doing own work. Increase activity where departments need more help. Reorganise TS.

Cash Savings per annum

£0.7 million
11 per cent of total expenditure

Staff Savings

36.

Comments

Savings of £12 million possible from shift of calls onto Government network. Other savings possible by improving productivity in other departments.

DEPARTMENTS OF EMPLOYMENT AND HEALTH AND SOCIAL SECURITY

Scrutiny

Benefit Delivery to Unemployed

Main Findings

Process of claiming benefit too complex. Some procedures faulty or too expensive or both.

Main Recommendations

Voluntary registration at Job Centres. Supplementary allowance for unemployed to be transferred to Unemployment Benefit Offices. Simplify procedures. Tighten fraud checks.

Cash Savings per annum

£75-80 million
Once and for all cost of £50-£90 million over 5-10 years.

Staff Savings

5,000
Approximately 12 per cent of posts.

Comments

Report on action to go to Prime Minister from Ministers responsible January 1981.

MANPOWER SERVICES COMMISSION

Scrutiny

Training Services Division

Comments

Report expected January 1981.

HEALTH AND SAFETY EXECUTIVE

Scrutiny

Costs and benefits of health and safety requirements

Main Findings

Scope for greater use of cost benefit analysis.

Main Recommendations

HSE to do own cost/benefit analyses avoiding excessive complexity. Changes in regulation-making procedures.

Cash Savings per annum

-

Staff Savings

-

Comments

PESC paper circulated drawing out wider lessons. Recommendations accepted.

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

Scrutiny

Horticultural Produce and Egg Marketing Inspectorate.

Main Findings

Egg and horticultural produce inspection necessary. Some procedures too rigid and ineffective.

Main Recommendations

Strengthen both enforcement functions. Cut back aid to egg producers. Improve horticultural marketing standards.

Cash Savings per annum

£0.25 million

10 per cent of total expenditure

Staff Savings

22

Comments

Final decisions to be made after consultations with producers.

DEPARTMENT OF THE ENVIRONMENT

Scrutiny

Financial control of the water industry.

Main Findings

DOE system of financial control is adequate.

Main Recommendations

Controls to be reviewed in 2-3 years. Accountability of authorities to be further reviewed.

Cash Savings per annum

Additional cost of £14,000

Staff Savings

1 extra post

Comments

Action document agreed. (Report largely overtaken by decision to apply nationalised industry disciplines to water industry.)

DEPARTMENTS OF ENVIRONMENT AND TRANSPORT

Scrutiny

Joint DOE/DTp Regional Offices

Main Findings

Presence "on the ground" necessary, but scope for streamlining.

Main Recommendations

Rationalisation of network. Procedural changes. Feasibility study on joint DOE/DTp/DI/DE offices.

Cash Savings per annum

£1.5-2m

Once and for all cost of £0.1m

Staff Savings

230
15% of posts.

Comments

Ministers have agreed rationalisation of network based on report. Procedural changes being further examined. Savings figure a preliminary "best guess".

DEPARTMENT OF THE ENVIRONMENT/PROPERTY SERVICES AGENCY

Scrutiny

Works transport in PSA

Main Findings

Officially-provided transport is justified, but scope for more cost-consciousness.

Main recommendations

Monitor costs of different methods of transport. More economy incentives and flexibility. Some further reviews.

Cash Savings per annum

£0.25 million
6 per cent

Staff Savings

10

Comments

Recommendations agreed and being implemented.

SCOTTISH OFFICE

Scrutiny

Advisory and monitoring functions of Scottish Development Department.

Main Findings

Functions necessary, but some scope for modification.

Main Recommendations

Cut back "pastoral" visits to local authorities. Stop some publications and statistics. Procedural changes.

Cash Savings per annum

-

Staff Savings

-

Comments

Action will follow direct from report.

FORESTRY COMMISSION

Scrutiny

Private Woodland Grants and Control of Felling

Main Findings

Expensive, complex and out-moded procedures.

Main Recommendations

Simpler grant scheme. Charges for licences. Administrative changes.

Cash Savings per annum

£0.52 million (including extra revenue)

Approximately 40 per cent of total expenditure.

Staff Savings

49 (man years not posts)

Comments

Action document agreed. Implementation by 1982. Additional savings likely.

WELSH OFFICE

Scrutiny

Procedures for processing major NHS building projects.

Main Findings

Requirements on AHAs not working properly. Too much Welsh Office involvement in detail.

Main Recommendations

New planning system. Less Welsh Office involvement in monitoring and control of projects. Raise threshold of delegated financial authority.

Cash Savings per annum

£0.1 million

14 per cent of total expenditure

Staff Savings

5

Comments

Recommendations accepted. Some implemented. Most of rest to be implemented by 1 April 1981.

