

PREM 19/478

PART

8

ends:-

20.5.81

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PART

9

begins:-

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Gov. Mathew JS  
cc DEE DIM

CF [initials]

10 DOWNING STREET

From the Private Secretary

20 May 1981

cc  
Mr Priestley

The Prime Minister was grateful for the Chief Secretary's minute of 18 May about the cost of the Balham Jobcentre.

She agrees strongly with the Chief Secretary that officials should reconsider the rule that repayment customers of the PSA should always meet unforeseen extra costs, even if these costs are attributable to the PSA's own actions. She feels it would be wrong for Ministers as clients to be committed willy-nilly to paying extra costs for which the PSA are responsible. She agrees that officials should pursue this question further.

I am copying this letter to David Edmonds (Department of the Environment) and to Richard Dykes (Department of Employment).

W. F. S. RICKETT

Terry Mathews, Esq.,  
HM Treasury.





CONFIDENTIAL

PRIME MINISTER

*More draft minutes  
not*

Prime Minister

You were not convinced that it would achieve anything to circulate the Chancellor's paper. You felt the central departments were not equipped with sufficient expertise to carry out the tasks the paper allotted to them.

Sir Derek's note gives good reasons for circulating the paper, and addresses your concern (para 4).

Content that I should write this at D?

CABINET PAPER ON CONTROL OF EXPENDITURE:

DEPARTMENTAL RESPONSIBILITIES (Chancellor's minute of 14 May)


WML 20/5

1. I understand that you doubt whether the Chancellor's paper will make any difference if the central departments lack staff with the right expertise to carry out the new task of supervising departmental control systems and whether it should be put to Cabinet until such doubts have been removed. May I offer you my thoughts on this?

2. First, the paper now before you has been prepared in response to one of my "lasting reforms" proposals - namely that the respective functions of the "spending" and central departments should be re-defined, 20 years after the Plowden Report, to reflect modern circumstances. The main change envisaged is that the responsibility of the centre to ensure that the civil service has good systems of resource control and management is acknowledged. This is important and I think that it should be ratified.

3. Secondly, I have been battering away for some time at the question of the competence of the centre to carry out the revised task envisaged for it. The Treasury does understand that it needs to equip itself better. In recognition of this it will be carrying out a scrutiny of its Specific Expenditure Divisions this year; the scrutiny will be led by a senior official, an experienced Deputy Secretary, whom I know, and I expect solid benefits to flow from it. This is not going to be got right at one go, but a start has to be made.





4. Thirdly, I fully accept that - while the scrutiny programme and other evidence have demonstrated that there is a wide range of talent in the civil service - in the areas of financial management and in the application of the disciplines of good accounting practices - knowledge is patchy and the career opportunities for those who excel in these disciplines are too limited because their importance is not recognised. Unless a substantial effort is made to recruit directly some outstanding qualified staff with clear promotional prospects to the top of the organisation, and unless there is mounted a crash programme, through the Civil Service College and other training institutes, to train people who are already in the Service, we shall in the foreseeable future continue to be lacking in the knowledge and skills essential to an efficient organisation. I am discussing this with senior officials of the Treasury and CSD and the Head of the Government Accounting Service next week.

5. Fourthly, it may help put the Chancellor's paper into context if I emphasise the point touched on in his draft covering note, namely that the objective of greatly improved financial management is being attacked on two main fronts and by a number of different means, including:

A. Making sure that financial responsibility is understood and allotted

- Central Ministers' paper on departmental responsibilities (the subject of these papers)
- My paper (still to come) on the managerial authority of Ministers and senior officials
- Treasury and CSD papers (still to come) on Principal Finance and Establishment Officers
- Scrutiny of the definition and allotment of responsibility and accountability, Ministry of Defence.



B. Making sure that financial management is competent

- Intended case study of the finance function in one or more departments following your Internal Audit meeting
- Intended proposals on training for financial management
- Completed scrutinies of monitoring and control, Treasury (1980) and Ministry of Defence (1981)
- Completed scrutiny of the organisation of financial administration, Northern Ireland (1980)
- Intended scrutiny of the measures needed to enable the Treasury's Specific Expenditure Divisions to carry out the new role indicated by the Chancellor (paragraph 3 above).

6. I have discussed with you separately means of pushing this work on. For the present, I think that it would be right to keep the momentum going, by getting the Chancellor's paper onto the record and by stimulating the central departments to be robust in preparing themselves for and carrying out the new role.

7. May I suggest that your private secretary should reply to the Chancellor's office along the lines of the attached draft?

  
DEREK RAYNER  
19 May 1981

Enc: Draft letter plus textual points



DRAFT LETTER TO THE CHANCELLOR'S PRIVATE SECRETARY

PAPER ON CONTROL OF EXPENDITURE : DEPARTMENTAL RESPONSIBILITIES

PL type  
WR  
2/5

The Prime Minister <sup>was</sup> ~~is~~ grateful for the Chancellor of the Exchequer's minute of 14 May and for the draft paper and memorandum. Subject to the points made below, she is content that he and the Lord President should circulate them to Cabinet with a view to the endorsement of the memorandum.

The Prime Minister is concerned lest the memorandum may give unnecessary hostages to fortune. In particular, she feels that paragraphs 11 and 20 are not firm enough in describing the role of the central departments. She feels it would be better to delete the references to the "appropriateness" and "practicability" of central prescription from these paragraphs. The point could then be made in paragraph 10 that the central departments will of course consult other departments to ensure that the requirements they propose are appropriate to the functions of those departments and the needs of the public interest.

Secondly, the Prime Minister thinks that Cabinet colleagues may well ask whether the central departments have sufficient staff of the right experience and training to promote and monitor the best possible control systems in departments. She thinks it essential that the relevant parts of the centre should be staffed in such a way as to make the proposed role both credible and effective. The Prime Minister acknowledges that it is unlikely that this <sup>can</sup> ~~could~~ be achieved overnight, but she would like to know what plans are in hand to bring it about. She would be grateful for early advice on this, including Sir Derek Rayner's views.

I am copying this letter to Jim Buckley (Lord President's Office), David Wright (Cabinet Office) and Clive Priestley (Sir Derek Rayner's Office).



PRIME MINISTER

You saw Mr Prior's report on the saga of the Balham Job Centre.  
| A PSA engineer failed to notice that this property had a basement, and  
• that this had serious structural defects. This landed the <sup>PSA</sup> with a  
total bill of £600,000.  
*MSC*

The Chief Secretary has now commented that this illustrates an important point which should be borne in mind when we move to repayment for PSA services for Government departments. At the moment there is a rule that, where unforeseen costs arise, the repayment customer of PSA has to meet the extra costs. The Chief Secretary suggests that this rule should be reconsidered for those cases where responsibility for the extra costs rests with the PSA. Sir Derek Rayner agrees. He feels it would be wrong for Ministers as clients to be committed willy-nilly to paying extra costs caused by mistakes on the part of the PSA. Would you like to support the Chief Secretary's view that this point should be pursued by officials?

*WFR*

*Yes - very much so.  
not*

19 May, 1981



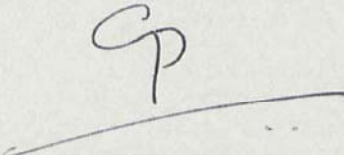
Mr RICKETT

COST OF THE BALHAM JOBCENTRE

1 Thank you for your note, with which I agree. I attach a possible draft letter for you to send to DE.

2 The Balham story is hair-raising: the taxpayer has ended up with a duff property on the Government estate because a new PSA engineer did not discover that it had a basement where his eyes would have told him that there were serious structural defects (para 4 of Sir R O'Brien's letter). The total price is almost £600,000, which will no doubt remain an unbeaten record for property in Balham High Road for a very long time.

3 I am however suggesting a fairly short response to Mr Prior's minute. Enough tears should have been shed over this spilt milk by now. And - although this may not be the time to acknowledge it - the PSA seem to have served the MSC well elsewhere in the Jobcentre programme (para 1 of Sir R O'Brien's letter).

  
C Priestley  
19 May 1981

ENC: Draft letter to Mr Dykes

DRAFT OF 19 MAY 1981

R T B Dykes Esq  
Department of Employment

[Blind copy: Mr Priestley]

COST OF BALHAM JOBCENTRE

The Prime Minister was grateful for the minute from your Secretary of State of 8 May. She has also seen the Chief Secretary's minute of 18 May.

The Prime Minister is astonished to learn that an old, three-storey building was leased for Government use on the basis of a survey which did not establish that it had a basement. The cost of this error by an inexperienced PSA engineer, resulting in the necessity of buying the building, has been severe. The Prime Minister is accordingly relieved to learn that the Property Services Agency has taken corrective measures.

The Prime Minister thinks that the point made by the Chief Secretary is generally a fair one: it would be wrong for Ministers as clients to be committed willy-nilly to paying extra costs that could reasonably be attributed to mistakes on the part of the PSA. She is glad that this point will be pursued by officials.

I am copying this to David Edmonds (DOE) and Alistair Pirie (HM Treasury).

W F S Rickett





*Cost  
Memo*

PRIME MINISTER

COST OF BALHAM JOB CENTRE

I have seen Jim Prior's minute to you of <sup>at 8.00</sup> 8 May about this project.

It illustrates one important point we shall have to watch when we move to repayment for PSA services for Government departments. My officials have been discussing with PSA the rule they follow with their existing repayment customers, like MSC, that, where unforeseen costs arise, and even if attributable wholly or in part to PSA's own actions, the repayment customer has to meet the extra cost.

I think we must reconsider this rule during the planning for repayment. The main reason for agreeing to the move to repayment was to encourage cost-consciousness and greater management responsibility in the use of accommodation on the part of customer departments. We must ensure that similar considerations apply where the responsibility for incurring expenditure rests principally with PSA. I have asked my officials to pursue this further with PSA.

I am sending copies of this minute to Michael Heseltine and Jim Prior.

*L.B*

LEON BRITTAN

18 May 1981



Rayner document 1

PRIME MINISTER

The Chancellor and the Lord President seek your permission to circulate to Cabinet a paper on "Departmental responsibility for control of expenditure" (A).

This paper arises out of Sir Derek Rayner's work on "lasting reforms". It will set the framework for further papers recommended by Sir Derek to define roles and responsibilities of departments, and their officials, more sharply.

Although it does describe the responsibilities of departments for control of expenditure and resources, perhaps the most important purpose of the paper is to define the role of the central departments. The Chancellor sees the paper giving a more positive and prescriptive role to the Treasury and the CSD. This will be important in the period ahead when the Treasury and CSD intend to make progress on financial control and management systems, investment appraisal, internal audit, and so on.

Both Sir Derek Rayner and David Wolfson support this paper, and advise that you should give the Chancellor and the Lord President the personal support they ask for, and that the paper should be discussed in Cabinet.

Mr. Priestley's paper at B (in particular paragraph 6, and paragraphs 9-11) reports Sir Derek Rayner's views in more detail. Sir Derek's only concern with the paper is that paragraphs 11 & 20 are not firm enough in giving a prescriptive role to the central departments. Mr. Priestley has suggested some changes to stiffen the paper (C). Sir Douglas Wass, while accepting most of the points put to him by Sir Derek in drafting this paper, has resisted these amendments on the grounds that they will put departmental Ministers on the defensive, and so provoke an unconstructive response. I agree with Mr. Wolfson that departmental Ministers will probably question whether the central departments are equipped with staff of sufficient quality and expertise to carry out the role described in the paper, rather than arguing with the fine wording of the paper. I will ensure that you receive briefing on this point; but

(a) are you content to give your support to the paper,

/ and



and for it to be circulated to Cabinet?

- (b) Would you like me to express support for Mr. Priestley's amendments on your behalf?

WBS

This paper will not achieve anything. It is a beautifully written reaction of the division of responsibilities. But it will not make any difference whatsoever in practical terms to the way departments

15 May 1981

work. We just haven't the expertise to do what we ought and until we agree it, I see little point in circulating the paper.

not





10 DOWNING STREET

*5th May*  
From the Principal Private Secretary

PERSONAL AND CONFIDENTIAL

SIR DEREK RAYNER

FUTURE ARRANGEMENTS

The Prime Minister has now had time to consider your minute of 6 May 1981 containing, in the light of your discussion with her at Chequers on 2 May, your proposals for the future arrangements for your work in Whitehall.

She is generally content with what you propose in your minute and in particular she has approved the recommendations in paragraphs 19 and 20. She would welcome your advice on the role of the next Head of the Civil Service and on the succession to Sir Ian Bancroft. In the meantime I should be very happy to discuss with you the detailed arrangements for the short term, when you are ready to do so.

*JWW.*

15 May 1981

*AN*



Mr RICKETT

CABINET PAPER ON CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES (Chancellor's minute of 14 May)

Background

1. As the Chancellor says, the draft paper arises from the submission which Sir Derek Rayner put to the Prime Minister on lasting reforms in March 1980, an edited version of which was considered by Cabinet on 1 May 1980 (C(80)25). The points in that submission most relevant to the draft paper were these:

- a. The Government is working for excellence in two types of management - by Ministers in their departments (which is the front line in the efficiency/effectiveness campaign) and by Ministers collectively around the Cabinet table.
- b. As we face public expenditure decisions, the best possible balance is needed between the collective responsibility of Cabinet and the several responsibilities of departmental Ministers. The relationship can only be one in which the Cabinet looks to individual Ministers to take the responsibility for good management in their departments.
- c. But transitory Ministers have to rely upon the Civil Service to provide and operate good systems of resource control and management. The underlying structures and practices which outlast successive Ministers should be of a quality which convinces Ministers that they are standing on firm ground.
- d. There should therefore be a clear postulation and understanding of the respective responsibilities of the "spending" and the central departments, including the role of the central departments to assist Cabinet in the allocation and control of resources by assuring it "that systems and operations through which the need for resources is calculated and the resources themselves are managed or spent are well devised and economical" (Appendix, para. 8.b.i.).



2. The same theme was picked up in last February's White Paper on the future of CSD, in which the Government said that it intended "to press forward vigorously with measures to improve financial control and management in Departments", with the Treasury in the lead (Cmd. 8170, para. 27).

3. The Chancellor's draft paper has been in the making for many months. It rests on some fascinating work by the Treasury last Spring and Summer, stimulated by the "lasting reforms" package, chiefly reviews of the control and monitoring functions of the specific and General Expenditure Divisions. An earlier draft got a pasting at the hands of the Permanent Secretaries in March, when the chief criticisms were these:

a. The draft did not show clearly enough what was new.

b. While both didactic and threatening the proper responsibilities of departments, it neither defined the intended duties of the centre nor indicated whether the central departments were staffed to carry them out.

c. The draft referred to the responsibility of the central Ministers to advise Cabinet on the aggregates of public expenditure and manpower; there was a good case for involving spending departments in the preparation of such proposals.

What's new?

4. As the Chancellor says (para. 2), Cabinet endorsement of the paper would "give explicit authority for the more prescriptive role which we envisage for the central departments". The point appears in para. 6 of the covering paper and paras. 10 - 12 of the memorandum. Ministers are invited to agree that

"in order to strengthen our drive for economy and efficiency throughout the public services, the Treasury and [CSD] should be recognised to have a role in, and responsibility for, promoting the development and



operation of the best possible systems in departments" (paper, para. 6).

5. Sir Derek Rayner's clear conclusion, from scrutiny and other evidence, is that this is correct. (As it happens, it is also the conclusion reached by the Secretary of State for Northern Ireland with regard to the organisation of his financial administration.)

Didactic, threatening etc?

6. It is unlikely that the reasonable man could or would take exception to the draft paper and memorandum. They are neither didactic nor threatening. Indeed, the new draft memorandum has swung too far, in Sir Derek Rayner's opinion, towards appeasing the truculence of those who might resent being told what to do and who certainly doubt whether the central departments have anything to say about management which is worth hearing. There is a strong whiff of "If you don't mind and if it's not too much trouble" about para. 11(i); para. 11, last two lines; and para. 20(c). Our view is that the centre should stand its ground on standards of administration and that the effects of such references as that at the end of para. 11 to "unacceptable costs" are not only mistaken, in that they greatly underestimate the importance and value of good systems of management, but also potentially very damaging: the rallying cry of "unacceptable costs" is one of the reasons why Internal Audit is in such a low state, for example.

7. The scepticism of departments about the centre is understandable, but should be resisted. It might well be argued that the centre's task is to manage the main strategic instruments of management, especially cash limits and now cash as the basis for planning, and that it does not have staff prepared by experience, training or temperament for the promotion or oversight of good systems. However, the Government has



taken its decision already (para. 2 above) and, for its part, the Treasury is to use one of its scrutinies this year to recommend how best, in practical terms, to shift the emphasis of its Expenditure Divisions' work from traditional casework above delegated authorities to the supervision of departmental systems. This is not going to be got right at one go, but a start has to be made.

Getting in on the act?

8. Para. 9 of the memorandum refers to the Treasury and CSD roles in advising Cabinet on financial and manpower totals. It is uncertain whether the point made at the Permanent Secretaries' meeting in March would be repeated in Cabinet discussion but it seems probable. If the Prime Minister approves the paper for circulation, you may like to call for anticipatory briefing on this point.

Advice

9. The paper has to do with the quality of administration. Our advice is that the Prime Minister should give it the personal support for which the Chancellor asks and that an opportunity should be provided for it to be discussed in Cabinet.

10. We think that the draft memorandum could and should be strengthened somewhat in paras. 11 and 20. Sir Derek Rayner has recently suggested this to Sir Douglas Wass who, while helpfully taking most of his other points, has argued that the qualifications are sensible and that they will help to carry the memorandum with Ministers "in a constructive and not disputatious spirit". That is a matter of judgment. Our view is that firmness is the right policy.

11. The drafting is a bit clumsy here and there, eg overlap between paras. 3 and 4 of the covering paper and tautology in para. 19 of the memorandum.



CONFIDENTIAL



12. I attach a possible draft letter to Mr Wiggins.

CP

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C PRIESTLEY  
15 May 1981

Enc: Draft letter plus textual points.

CONFIDENTIAL



DRAFT OF 15 MAY 1981

CONFIDENTIAL

J A Wiggins Esq  
HM Treasury

DRAFT PAPER ON CONTROL OF EXPENDITURE: DEPARTMENTAL  
RESPONSIBILITIES

The Prime Minister is grateful for the Chancellor of the Exchequer's minute of 14 May and for the draft paper and memorandum. She is well content that he and the Lord President should circulate them to Cabinet with a view to the endorsement of the memorandum.

The Prime Minister's only reservation is whether the memorandum may give unnecessary hostages to fortune. There is a certain hesitancy about paras. 11 and 20 which might cause future difficulty. The Prime Minister has asked me to think about this and to offer you some suggestions. These are contained, with a number of other textual points, in the enclosed note.

I am copying this to Jim Buckley (CSD), David Wright (CO) and Clive Priestley (Sir Derek Rayner's office).

W F S Rickett



## TEXTUAL POINTS

### Covering paper

1. There seems to be a slight overlap between para. 3 (last sentence) and para. 6 (second sentence).
2. Given the sensitivities to which the Chancellor refers, it might be worth amending para. 5, line 5 to read: "be complemented by notes outlining in similar fashion the managerial functions" etc.

### Memorandum

3. Paragraph 11, describing the duty of the central departments, is helpful but its force is somewhat weakened by deference to departmental opinion, in (i)(b) and in the last few lines. It might be preferable to delete references to "appropriateness" and cost from para. 11 altogether and to put the thought at the end of the paragraph into para. 10, perhaps in these terms:

"10. In their respective fields the Treasury and Civil Service Department are responsible for defining the essential elements of an adequate system to plan, monitor and control the use of resources allocated to departments. They will need to do so in consultation with departments to ensure that the requirements proposed are appropriate to the functions of departments and to the needs of the public interest. It is their duty to verify such systems are in operation, both within the central departments themselves, and within spending departments."

4. Paragraph 11(iii) might perhaps be rounded slightly, to read:

"checking that these systems are working reliably; if weaknesses become apparent, identifying with the department what changes or corrective action is needed; and checking that such action is taken promptly;"



5. The words "More detailed" might be dropped at the start of para. 19.
6. The words "so far as practicable" in para. 20(c) appear to weaken the intention that the centre should be consulted by spending departments "at a formative stage in policy discussions which would have substantial financial or manpower implications" and might be omitted.



CF  
cc Pub Expend FileTreasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

PAPER ON CONTROL OF EXPENDITURE: DEPARTMENTAL RESPONSIBILITIES

... I should like you to see in advance the attached paper which the Lord President and I propose to circulate jointly to Cabinet as soon as you are content that we should do so. I held it back until after our discussion of cash planning and the guidelines for the 1981 Public Expenditure Survey. On that account we are now clear to go ahead, and I should like to do so. The Lord President is also content.

2. As you will remember, this paper arises out of Derek Rayner's work on Long Term Reforms. Ministerial endorsement of this paper will set the framework for other papers recommended by Rayner to define roles and responsibilities more sharply; and it will give explicit authority for the more prescriptive role which we envisage for the central departments. Specifically, in the period ahead the Treasury and the CSD intend to make progress in a number of practical matters, including improving financial and management information systems generally, investment appraisal, defining the responsibilities of departmental finance officers, and in general shifting some of the emphasis of Treasury expenditure work towards promoting departmental efficiency and control systems. It would be possible to pursue these tasks without this paper, but collective Ministerial endorsement of the general idea of a more positive and prescriptive role for the Treasury and the CSD will assist and accelerate the co-operation needed from departments.

/The draft





3. The draft takes account of various discussions at official level and with Derek Rayner. In its present form it is designed to fulfil the purposes just mentioned without undermining the fundamental responsibility of spending Ministers and departments for their own efficiency, and without producing counter-productive controversy at Cabinet. It remains possible that some of our spending colleagues may be suspicious lest it indicate a shift of responsibility away from spending departments and towards the centre of a kind which they would not welcome. But my hope and expectation is that the paper can be endorsed without too much argument, and that this would be a useful step forward. I should, however, like to be sure first that the paper has your personal support.

4. I am sending copies of this minute to the Lord President, Sir Derek Rayner and to Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to be 'G.H.'.

(G.H.)

14 May 1981



Draft

CONTROL OF EXPENDITURE:  
DEPARTMENTAL RESPONSIBILITIES

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Note by the Chancellor of the Exchequer and  
the Lord President of the Council

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As the Ministers in charge of the two central departments, viz the Treasury and the Civil Service Department, we have been considering the contribution which our departments should make to the Government's objectives of the restraint and control of public expenditure and civil service manpower, and of the improvement of the efficiency of the public services.

2. Successful prosecution of these policies, aiming as they do at the efficient use of resources, depends principally on

- sound decisions by Ministers collectively on the total of public expenditure and on its distribution between the different programmes;
- sound management of the resources so allocated by the Ministers in charge of spending departments and by the officials responsible to them down the line of management.

3. In the management of the resources allotted to each programme, the role of the responsible spending department is critical. It is here that both strengths and weaknesses will be chiefly manifest. But the central departments have also a role and responsibility, to co-ordinate, to encourage, and to seek to spread good systems and good practice.



4. As a Government, we seek to emphasise the personal responsibility of departmental Ministers in these matters. In practice much of the task must be and is devolved to the civil service. As Ministers, we should continue to strive to foster and encourage the highest standards of management throughout the civil service.
  
5. The attached memorandum summarises, as we see them, the respective roles of the central departments and of the spending departments. It is part of the programme which Sir Derek Rayner mapped out for us under the heading "lasting reforms". It will be complemented by notes defining in similar fashion the functions of Ministers, Permanent Secretaries, Principal Finance Officers and Principal Establishment Officers.
  
6. Much of the memorandum is a re-statement and a clearer definition of existing responsibilities and practice. But it also reflects our conclusion that, in order to strengthen our drive for economy and efficiency throughout the public services, the Treasury and the Civil Service Department should be recognised to have a role in, and responsibility for, promoting the development and operation of the best possible systems in departments.
  
7. This is not novel in principle. But in recent years the emphasis has been in decentralisation and on the responsibility of the spending departments for their own efficiency. We have no intention of detracting from, or in any way undermining, the responsibilities of the spending departments. But we believe that, in partnership with the spending departments, and as a complement to their work, the central departments should be more active and more positive in setting standards and seeing that they are observed.
  
8. Major tasks to be pursued in the period ahead include the development of cash planning of public expenditure, which we are pursuing in the 1981 public expenditure survey; further development of management accounting, both to identify the full



cost of Government operations and to integrate it more effectively into expenditure control; succession policy for senior staff; training and staffing policies to meet the needs foreseen; programme and project evaluation; more effective development of internal audit.

9. We invite colleagues to endorse the attached memorandum on departmental responsibilities.



Draft

CONTROL OF EXPENDITURE:  
DEPARTMENTAL RESPONSIBILITIES

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The allocation of financial and manpower resources to Government departments, and the control and efficient use of those resources, call for constructive partnership and co-operation between the Treasury and the Civil Service Department as central departments on the one hand and the spending departments on the other. Effective co-operation requires understanding of the proper role and responsibilities of each.

2. The purpose of this memorandum is to summarise those respective responsibilities. They are in each case responsibilities of departments as a whole. For this purpose there is no distinction between Ministers and officials; the department is headed by the Minister in charge and the officials are responsible to the Minister.

3. In this memorandum the term "spending departments" applies to government departments. The arrangements are somewhat different where the actual spending is the responsibility of nationalised industries, local authorities, or other fringe bodies, with a "sponsor" department between them and the central department concerned.

A. Responsibilities of Spending Departments

4. The primary responsibility of a spending department is to conduct its Minister's policy and its statutory functions to the best effect within the financial and manpower limits determined by the Government as a whole. Each Minister, advised by his department, will have participated in deciding those limits collectively.

5. The department is responsible for ensuring that the resources, both financial and manpower, allocated to it are used efficiently.



6. The department is responsible for ensuring that the control totals represented by any cash limits or other policies applying to the whole or parts of the relevant programmes are strictly observed, and that the requirements of expenditure and manpower control as laid down from time to time are respected.

7. Within the department all levels of management carry responsibility for the efficient use of the resources entrusted to them. Certain special responsibilities of Principal Finance Officers (PFOs) and Principal Establishment Officers (PEOs) are discussed below (paragraphs 17-20).

B. Responsibilities of the Treasury and the Civil Service Department

8. The responsibilities of the Treasury and Civil Service Department include the following.

9. The Treasury advises Ministers collectively on matters concerning the total of financial resources for the public sector and its relationship both to the Government's broad objectives and to the economic and financial environment; and makes proposals as to distribution of the total among departmental programmes, taking account of Government policies and commitments. The Civil Service Department performs a similar function in respect of Civil Service manpower and related expenditure.

10. In their respective fields the Treasury and Civil Service Department are responsible for defining the essential elements of an adequate system to monitor and control the use of resources allocated to departments. It is their duty to verify that such systems are in operation, both within the central departments and within spending departments.

11. This duty includes:

- (i) prescribing the basic elements of departmental systems which are needed to provide (a) reliable and compatible information for the purpose of central



co-ordination and control; (b) where central prescription is appropriate, satisfactory arrangements for monitoring and control within departments;

(ii) setting standards of adequacy for such systems (departments are then responsible for meeting those standards;

(iii) checking that these systems are working reliably and that corrective action is taken promptly and effectively where they indicate the need; and, if weaknesses of system become apparent, identifying, with the department, the changes that are needed; and

(iv) checking that each department is applying effective and adequate arrangements to promote efficiency both generally and in individual cases in order to fulfil that department's responsibility for efficiency (paragraph 5).

In establishing requirements for departmental systems, the Treasury and the Civil Service Department should consult the departments concerned to check that the requirements proposed are appropriate to departments' needs and do not impose unacceptable costs.

12. By long-established convention, expenditure must not be incurred without the approval of the Treasury or Civil Service Department. In practice, in consultation with spending departments, the central departments determine categories of delegated authority for expenditure. Outside the delegated categories the Treasury and the CSD are to be consulted specifically. This provides an opportunity of external check on how the department's own procedures are being applied in practice, and also for the Treasury or CSD to examine a selection of the more important proposals for new expenditure which have a direct bearing on their responsibilities for overall allocation. In addition the Treasury and the CSD may from time to time examine with a department whether a particular operation is being conducted with maximum efficiency.

13. More generally, the Treasury has responsibility to advise



departments on economic and financial matters, including Parliamentary aspects, and the Civil Service Department on civil service staffing and staff-related matters. Both the Treasury and the Civil Service Department have a responsibility to define and, in collaboration with departments, to maintain proper practices in the handling and expenditure of public money.

14. The Treasury also has a number of other co-ordinating responsibilities, for example for general aspects of public purchasing policy and of policies concerning pay in the public services.

15. The Civil Service Department is responsible for:-

(i) Central policies concerning the training and personnel management of the civil service, and for ensuring that the top ranks in departments are filled, and can continue to be filled, by those regarded as the best available after consideration of candidates drawn from the service as a whole.

(ii) Civil Service recruitment policy and such recruitment as is carried out centrally.

(iii) The settlement of pay, pensions and other conditions of service, and of grading standards, throughout the civil service.

(iv) Computer policy and the procurement of computers for use in Government departments.

(v) The development of staff inspection and, in consultation with the Treasury, of management services throughout the civil service, encouraging the introduction of new and improved management techniques and spreading knowledge of best practice.



C. Co-operation: Finance and Establishment Divisions

16. The interacting responsibilities described above call for co-operation between central and spending departments at all levels.

17. Departmental finance and establishments divisions have a key role in their departments' relationships with the Treasury expenditure divisions and CSD manpower divisions respectively. The responsibility of the Principal Finance Officer and Principal Establishment Officer will vary to some extent with the circumstances of different departments. But in broad terms the Principal Finance Officer is responsible to the Permanent Secretary for the general quality of the department's systems for control and economy in the use of money, and for advising the Permanent Secretary on the quality of those areas of financial management which fall within the responsibility of line managers; for ensuring that any limits which have been decided upon are not exceeded; for ensuring financial propriety and regularity at all times; and for monitoring the use by line managers of financial authority delegated to them by or on behalf of the Permanent Secretary.

18. The Principal Establishment Officer is responsible to the Permanent Secretary for the control and disposal of manpower; for the efficient administration of the department, in particular through the operation of manpower planning and systems of personnel management; and for the conduct of industrial relations.

19. More detailed notes prepared by the Treasury and the CSD describe in more detail the respective responsibilities of the PFO and PEO.

20. Within the normal framework of their responsibilities to their Minister, finance and establishment divisions should work with the Treasury and the CSD to ensure that planned limits are observed, that their departments co-operate generally in carrying out the responsibilities indicated in Section B, and specifically:



(a) that the Treasury or the CSD are consulted in advance on any new proposals outside the categories of delegated authority, or which would commit the Government to find resources additional to the agreed programme; and (under the Cabinet Office rules) before a paper is circulated to Cabinet or to a Cabinet Committee containing a proposal with expenditure or manpower implications.

(b) that the central departments are provided with any information needed for fulfilment of their responsibilities for allocation, control and central management.

(c) more generally that central departments are consulted so far as practicable at a formative stage in policy discussions which could have substantial financial or manpower implications.

HM TREASURY  
CIVIL SERVICE DEPARTMENT  
May 1981



MR RICKETT

cc Mr D Edmonds  
P/S Mr Michael HeseltineMr P Bristow  
P/S Lord Bellwin

ms.

wn

19/5

(14)

## 'EFFICIENCY IN PUBLIC SPENDING

The Prime Minister may be interested to know that Mr Priestley and I visited the London Borough of Havering recently for an exchange of information about efficiency. (This followed an address by Mr Priestley to the LAMSAC conference).

2. We were well received by the Leader (Councillor Moultrie whom I believe the Prime Ministers knows) and the Chief Executive (Mr Tridgell). For their part they were keen to know more about the Scrutiny Programme. But they also described to us how political leadership in the Borough is closely and (they thought) fairly unusually involved in planning and controlling of expenditure. Despite obvious differences of scale and comprehensibility in the nature of spending, there are interesting pointers for central government spending.

3. The financial framework in Havering is a corporate plan for Borough spending which is something like an amalgam of the Public Expenditure Survey and the Estimates. It looks 3 years ahead. Key features of the management process are:

- Political commitment to the financial framework from all political parties, (Conservative, Labour and Ratepayers').
- Political commitment from the Conservative majority to efficient management.
- Political commitment to the view that spending has to be paid for and detailed questioning of spending from the top.
- A strong line of financial responsibility and accountability running from the Leader through his Chief Executive to the Directors of service departments.
- The Directors report to the Chief Executive. The Committee Chairmen work closely with the Leader.
- Heavy involvement of the Leader and the Committee Chairmen in the detail of expenditure planning.
- Relative openness with colleagues. In addition to bilateral meetings with the Committee Chairmen the Leader takes a meeting of all Committee Chairmen collectively to consider the draft budget at the same time as the draft corporate plan.



- Briefing of the Opposition by Council Officials about the corporate plan.
- Tight central control by the Leader of expenditure during the year (eg no recruitment or vacancies filled without his direct authority).
- Good alignment between spending programmes, council Committees, and administrative structure.
- Clear sub-programmes of a size Councillors can understand with spending/saving options expressed in relation to output as well as input. Distinction between committed and non-committed expenditure.

4. The Council has just accepted an extension of the corporate planning arrangements under which local cost centres will be identified, down to a low level of management, with a named official in charge. For Borough roads, for example, the process is well advanced. For education, extension to individual schools is still for the future.

5. We would not pretend all of these points could be transferred to the national level. But we were impressed by the brisk enthusiasm of its Leader and officials for a Borough that can get its act together and deliver at a reasonable cost the services its political leadership want to provide.

I  
B

IAN B BEESLEY

14 May 1981





Minister of State

The Rt Hon William Whitelaw CH MC MP  
Home Secretary  
Home Office  
Queen Anne's Gate  
LONDON SW1H 9AT

*Dear Willie,*

#### SCRUTINY OF DEPARTMENTAL RUNNING COSTS

As you know Cabinet agreed on 29 January that the running costs exercise should be repeated this year and that a Working Group of officials should be set up to work out, in consultation with Sir Derek Rayner, the technical details. I attach a copy of the Group's final report which Derek Rayner feels can usefully be read alongside his note of 22 February 1980.

I am now writing to ask you to set in hand work on the 1981 exercise covering the following costs: outturn 1979-80, provisional outturn 1980-81, and estimates 1981-82. As before the main comparison will be made between the two most recent years but any publication of the figures will make clear the magnitude of the distortion that is liable to result from comparing outturn and estimates figures. Costs will again be shown on a cash basis, but it would be most helpful if you would refer to any significant volume changes in your covering commentaries. This should prevent the need for a follow-up exercise such as we had last year.

It would be helpful if the exercise could be started as soon as provisional outturn figures for 1980-81 are available, using the revised pro-forma and notes for guidance attached to the Working Group's final report. I should be grateful if your and other recipients' officials could copy returns to CSD at the same time as submitting them to Ministers, which needs to be by no later than the end of June. I would like to have your commentaries on the figures by Friday, 18 September, so that the Lord President can report to colleagues during the autumn. I know you have expressed doubts about the exercise but I believe that management information like this can help us bring costs under better control.

I am copying this letter to all Ministers in charge of Departments (with the exception of the Secretaries of State for Defence and Northern Ireland to whom I shall be writing separately) and to Sir Derek Rayner.

*James*  
*James*

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

MR Hopkinson  
c Ps/hard President  
Ps/Perm Sec  
13 May 1981  
Ps/and Perm Sec  
MR Pestell  
MR Russell



## SCRUTINY OF DEPARTMENTAL RUNNING COSTS

### Report of the Working Group

#### Background

1. In the autumn of 1979 it was agreed that departmental Ministers should scrutinise the staff costs and overheads of their departments, and that an annual statement of the cost of government should be prepared by CSD. Returns for the 1980 scrutiny were submitted by all departments to their Ministers and to CSD in the form proposed by Sir Derek Rayner, and a paper summarising these returns and the covering commentaries was prepared for discussion in January 1981.

2. An inter-departmental Working Group of officials was then set up with the following terms of reference:

To consider the relationship between the scrutiny and the PES/Estimates cycle and to recommend a timetable for the 1981 scrutiny; and in the light of the experience of the 1980 exercise, to determine technical improvements for incorporation in the next round. The results of the examination will be reported by Easter to the Lord President of the Council, who will then consult Sir Derek Rayner.

3. The Working Group met on five occasions between mid-February and mid-March 1981. Membership of the Group is shown in Annex A.

#### Purpose of the costs exercise

4. The primary purpose of the exercise is to provide Ministers with a management account to enable them to examine the costs of manpower, goods and services incurred in running their departments, to question them and the ways in which they are being controlled, and to satisfy themselves as to efficiency and economy in their use.

Central departments use this information in examining Estimates submissions, and in preparing a statement of the cost of Government for collective discussion, but this is secondary.

#### Basis of comparison between years

5. The first round of the exercise showed costs for three years; outturn 1978-79, provisional outturn 1979-80 and Estimates 1980-81.



Comparison was made between provisional outturn and Estimates, but this produced some distorting effects. Estimates which are also cash limits represent ceilings on expenditure and are used as control totals, so expenditure is bound normally to be less than cash limits, even though Estimates are tautly drawn. The effect of underspending is to exaggerate the percentage year-on-year increase in the running costs of departments. The Working Group considered the alternative types of comparison that might be made between years. The possibility of comparing one year's Estimates provision with the next was rejected because neither of these sets of figures would represent the true costs incurred. Comparison of outturn with forecast outturn was also rejected because it would have to be made at a stage in the year too late to be of use in drawing up the next year's Estimates.

6. We recommend, therefore, that the 1981 scrutiny should keep to the same pattern as the first, which would mean the inclusion of the following costs: outturn 1979-80, provisional outturn 1980-81 and Estimates 1981-82. A summary of the figures from 1978-79 to 1981-82 could then be prepared by departments for their own Ministers, and also compiled centrally by CSD. The main comparison should, however, again be made between provisional outturn and Estimates. Departments may wish to draw the possible magnitude of any distortion to their Ministers' attention when submitting their returns. Any publication of the figures obtained from the scrutiny could make such effects clear, for example by showing average underspending across all departments against the aggregated figures. To the extent that pressure on Estimates reduces the amount by which spending falls short of the cash limits, the distortion will be reduced.

#### Timing of the 1981 round

7. In his original note on the exercise, Sir Derek Rayner suggested that departments should prepare their analyses in April of each year for presentation to Ministers in early May. After a preliminary discussion by the Working Group, Establishment Officers of the main departments were asked about the availability and reliability of information which had a bearing on the timing of the 1981 exercise. The majority of departments thought that the provisional outturn figures for 1980-81 (available by the end of April) were an adequate



basis of comparison with the later year. The common service departments (PSA, RGPD, HMSO, COI and CCTA) also confirmed that they could produce figures for receiving departments shortly after the end of the financial year.

8. We recommend that, where the data is adequate, departments should begin the scrutiny exercise once provisional outturn figures for the middle year become available, with information being given to Ministers as soon as possible thereafter. Those departments which need to use revised figures for the middle year should put their returns to their Ministers no later than the end of June. Since the figures themselves will not then change, departments should send a copy of their return to CSD at official level at the same time as giving it to their Ministers, so that work can go ahead with compiling tables. Departmental Ministers should be invited to submit their covering commentaries to the Minister of State, CSD by mid-September at the latest. Circulation of the results, and any Cabinet discussion, could then be at the end of October.

#### Coverage of expenditure

9. In the light of the experience of the 1980 scrutiny exercise, the following changes are recommended in the form and content of the returns for the 1981 round.

i. Notional costs

Notional costs for pension and gratuity liability of serving staff and equivalent market rents on all land and buildings should again be included, but should be detailed separately from cash expenditure to assist reconciliation with Votes.

ii. Capital costs

All capital costs should be detailed under a separate heading from running costs because of the distorting effects of such irregularly occurring expenditure on inter-departmental comparisons, year by year trends and cost per employee analyses. In the notes on completion to be attached to the return, the CSD should give guidance to departments on the criteria for distinguishing capital from current expenditure.



iii. Provision of services by one department to others

The common service costs incurred by PSA, RGPD, COI and (for 1979 - 80 only) CCTA and HMSO should again be attributed to user departments. Where other inter-departmental services are provided, either on repayment or allied service terms, the cost of these should be shown in the returns submitted by the supplying and the user departments. This would only apply, however, to those costs which are already identified under existing information systems. Supplying departments would need to inform the user departments, by 30 May, of the amount to be shown in their own return. By showing the costs and receipts as appropriate in both sets of returns, double-counting will be avoided when CSD draws up aggregate figures.

iv. Receipts

In order to complete the picture of the cost of running departments, receipts from the provision of services to external customers and other departments should also be included in the exercise. These should be separately identified and not netted from running costs because it is the gross costs of their departments which Ministers will wish to question and control for the purposes of efficiency and economy. Receipts would, of course, have to relate only to the services incurring costs detailed in the expenditure sections of the returns.

v. Non-office Expenditure

As in the last round, this heading should be used as a residual category for items of administrative expenditure which do not fit under other headings. Information in this section is likely to be of an unusual nature, and CSD will need to establish whether the items listed are appropriate to this exercise. These will probably be shown separately in any composite presentation of figures to Ministers, and excluded from any figures made public.



#### Cost Element headings

10. As few departments are able to disaggregate the costs of travel and subsistence, these two headings should be combined in the 1981 return. Otherwise, we concluded that there was little scope for reducing the number of headings on the returns because departments need the detailed information to carry out their own scrutinies.

#### Volume vs cash

11. The cash values, as used in the 1980 returns, are essential to this exercise and should be used again in the second round.

Volume data (eg expressing costs at constant prices by use of indices) would also be informative but there are difficulties in obtaining reliable indicators for each significant heading on the returns, as well as in processing and presenting the data. Nevertheless, where volume changes have a significant effect on comparison of costs between one year and the next these should be brought to Ministers' attention and they should be asked to refer to such changes in their covering commentaries.

#### Treatment of rent and other accommodation costs

12. PSA will again be attributing rent and other accommodation costs as in the 1980 exercise. There will, however, be a number of refinements to the information for 1981-82 to that which was provided to departments in the previous round. The major features are set out below:

- a. As well as providing equivalent market rents for both Crown-owned and leased property for general office accommodation, equivalent rents will also be provided for storage accommodation.
- b. Departments (such as MSC) occupying areas which are not part of the Crown Estate will be responsible for supplying CSD with information on the actual rents paid.
- c. Buildings such as royal palaces will be excluded from the scrutiny exercise because their overheads are not part of departmental running costs.



- d. The Rating of Government Property Department (RGPD) will provide departments with equivalent market rents for specialised accommodation; these will be based on rateable values.
- e. Instead of 3 London and 1 provincial zones, there will be 12 rental zones (3 for London plus one for each of the standard PSA regions). Reluctantly the Working Group accepted that PSA would not be able to provide a more precise zoning of Central London this year, but recognised that this would have to be looked at again in the context of the future refining of all rental zones as foreshadowed in the Property Services Repayment (PRS) Report. In the meantime, departments wishing to rationalise their office estate should ask PSA for more information on the cost of individual buildings.
- f. In addition to providing information about movement in costs, PSA will notify departments of volume occupied (in terms of square metres). The areas will be shown on the basis of Agents' Letting Area.
- g. PSA will also attribute administration costs, together with an estimate of the services provided by PSA Supplies.
- h. This year PSA are again unable to provide information about fuel and utilities, and furniture and fittings, on an actual rather than a unit cost basis. They do not have the resources to do this for 1981, nor - in the case of furniture and fittings - is the information available in a suitable form. However, in the context of the move to repayment, such information should be available in subsequent years.
- i. PSA are able to provide accommodation information on the revised basis for 1981-82 only; comparable data for the earlier years of the exercise are not available because of significant changes in the method of calculation. The Working Group regretted that this would make comparisons between years impossible.



#### Treatment of rates

13. The RGPD will provide similar information to that given last year. This means actual figures for 1981-82 for all occupations other than those of a minor nature.

#### Treatment of other common services

14. Repayment for HMSO and CCTA services means that departments will be able to provide this information themselves. COI, however, have been asked to provide the same information as last year.

#### Coverage of staff

15. The scope of the 1980 scrutiny exercise in terms of staff coverage followed broadly the boundaries of the UK Civil Service, the exceptions being the exclusion of 33,000 staff in the Trading Funds (the Royal Ordnance Factories, the Royal Mint, PSA Supplies and HMSO (1980-81 only)) and the inclusion of some 40,000 locally-engaged staff overseas employed by the Ministry of Defence and the Foreign and Commonwealth Office (not counted as civil servants).

16. For the 1981 round the general principle should be that the returns should cover all staff for whom Ministers are directly responsible in the running of their departments, including locally-engaged staff overseas. The implication of this for coverage in the returns of the Secretary of State for Defence and Secretary of State for Northern Ireland is being considered separately. Trading Funds (whose staff are part of the UK Civil Service) should again be exempt from completing the pro-forma for the scrutiny exercise on the grounds that they already produce detailed trading accounts. Nevertheless, departments should ensure that Ministers have an opportunity to scrutinise these accounts in much the same way as they do the running costs returns.

17. On staff numbers, the 1980 returns showed only the average number of permanent staff in each of the three years. This oversimplified the picture of the staffing position in departments. It is recommended that a more sophisticated account of the number of staff is necessary using the following headings:



- i. Ministers;
- ii. Permanent staff
  - a. those covered by the UK Civil Service manpower count;
  - b. other permanent employees (eg locally-engaged, NI civil servants, military) shown separately as necessary;
- iii. Casual staff

Permanent staff should be shown in terms of full-time equivalents using the manpower count formula; casual staff should be shown in terms of number of man years. Where work is put out to agencies, the cost does not appear under wages and salaries and the number of staff involved should not therefore be recorded in the returns. In most instances (such as where the Post Office provides a service) this information is simply not available. Nevertheless, the cost of such services should be included on the return under "other services". However, where agency costs are a grant to another body to carry out a function which is not related to the administration of the department, they should be excluded from the exercise.

18. The figures should again be shown in terms of "average" numbers for each of the years. It is recommended that rather than stipulate the method of calculating this average (eg taking beginning and end year, quarterly or monthly staff numbers), departments should be left to decide this for themselves so as best to reflect their own particular pattern of staffing over the course of the year.

#### Cost per employee analyses

19. The paper reporting the results of the 1980 exercise used the number of permanent employees given in the returns as the basis for the cost per employee figures shown in the tables and "thermometers". This was done for all major items of expenditure with the exception of "other non-office expenditure". Although this type of analysis is somewhat crude, in that it tends to ignore the differences of task and



function, costs per employee can provide an initial yardstick for making comparisons both between departments or within departments over time.

20. We recommend that this type of analysis should be used again, but that this should be on a more restricted basis. It is now recognised that cost per employee is not appropriate either to "other services" or to "capital costs" since such costs are not related to the number of staff in a department. The headings on the return for which it would therefore be used are: wages and salaries, personnel overheads, accommodation costs and office services. Calculation of costs per employee would be based on total numbers (ie the sum of the headings in paragraph 17 above) rather than simply on the number of permanent staff, as used last time.

#### Rates of increase analyses

21. In presenting the results of the 1981 round to Ministers, it will be informative to show the rates of cost increase in total and for each of the main headings. CSD could also prepare tables showing the differential rates of increase between departments. Capital costs would, however, be excluded from any such comparisons because of their irregularly occurring nature.

#### Form of the 1981 return

22. The effect of the proposed changes on the content and layout of the 1981 return are shown in the revised pro-forma and notes for guidance at Annex B.

#### Conclusions and recommendations

23. The Working Group, having examined a number of proposals, conclude that the coming round of the scrutiny exercise should remain in essentially the same form as in the 1980 round. Its recommendations are as follows:

- A. The 1981 exercise should again cover costs incurred over three years (ie 1979-80 outturn, 1980-81 provisional outturn, and 1981-82 Estimates). A run of figures from 1978-79 to 1981-82



could be prepared in summary form by departments for their own Ministers, and also compiled centrally by CSD. The main comparison should, however, be made between the two most recent years of the exercise.

B. Departments should be encouraged to begin the scrutiny exercise as soon as provisional outturn figures become available. The figures contained in the returns should be submitted to CSD to prepare aggregate tables at the same time as they are given to departmental Ministers, who could be invited to submit their own commentaries on the figures to the Minister of State, CSD by mid-September. The Lord President could then put a paper to Ministers at the end of October.

C. Notional costs should be shown separately from actual costs. Capital expenditure and other non-office expenditure should again be included in the returns, but detailed separately from current expenditure. Receipts should be shown for the first time. The cost of inter-departmental services (where identifiable) should be shown in the returns submitted by the supplying and the user departments.

D. Costs should again be shown in cash terms alone, but information about significant volume changes should be brought to Ministers' attention and they should be asked to refer to these in their covering commentaries.

E. PSA should again attribute rent and other accommodation costs with certain refinements to the information provided for the 1980 exercise. These are the provision of equivalent market rents for storage accommodation as well as for general office accommodation, refined rental zones, provision of information about volume as well as cost changes, and the attribution of administration costs.

F. The RGPD should attribute rates as in the 1980 round of the exercise, and should also provide equivalent market rents for specialised accommodation.



G. The COI should attribute costs as in the 1980 exercise.

H. Although Trading Funds are exempt from completing the pro-forma for the scrutiny exercise, Ministers should have the opportunity to scrutinise their accounts in much the same way as their departmental running costs.

I. There should be a wider coverage of staff to include all those for whom Ministers are responsible in the running of their departments, and a more detailed breakdown of staff numbers than was shown last year. Average numbers should be given for each of the three years.

J. Cost per employee analyses should be confined to the following headings on the return: wages and salaries, personnel overheads, accommodation costs and office services. Differential rates of increase between departments over time should also be shown where appropriate.

Civil Service Department  
Whitehall  
London SW1A 2AZ  
8 April 1981



## MEMBERSHIP OF THE WORKING GROUP

Mr G H Wollen (CSD, Manpower) Chairman  
Mr A McLean (MAFF)  
Mr R Jones (MOD)  
Mr J S Parker (DOE)  
Mr D A R Peel (DTp)  
Mr L J Hayward (DHSS)  
Mr R Willis (Inland Revenue)  
Mr J W L Lonie (Scottish Office)  
Mr D Young (Industry)  
Mr D R Allen (Sir Derek Rayner's Office)  
Mr R L Kingsley (HM Treasury)  
Mr D Jamieson (CSD, Accountancy, Finance and Audit)  
Miss M E Cund (CSD, Manpower) Secretary

Mr R Bunce (CSD, Accountancy, Finance and Audit) also attended the majority of the meetings.

Mr J Olney and Mr J Hall (Rating of Government Property Department) and Mr P Ashton and Mr P Overton (PSA) attended one meeting to discuss the treatment of rent, rates and other accommodation costs.

It is estimated that the cost of the Working Group was £8,000; this includes the cost of attendance at meetings, preparation, typing, copying and delivery.



STATEMENT OF DEPARTMENTAL COSTS - 1981 EXERCISE

Department \_\_\_\_\_

AVERAGE STAFF NUMBERS	79/80	80/81	81/82	80/81 to 81/82	79/80	80/81	81/82	80/81 to 81/82	COST PER EMPLOYEE (to nearest £)	%	
	Outturn	Provi- sional outturn	Esti- mate	Differ- ence + or -	Outturn	Provi- sional outturn	Esti- mate	Differ- ence + or -			
TOTAL STAFF NUMBERS											
COST ELEMENTS	G	R	O	S	C	O	S	T	S	£	£
<b>A. WAGES AND SALARIES (incl insurance contribution)</b>											
1. Permanent staff (UK based)											
2. Overtime											
3. Casuals											
4. Period Appointees: staff on loan from outside bodies (paid for by dept)											
5. Staff locally engaged overseas											
6. Employers superannuation contributions											
7. Other pay costs											
<b>8. TOTAL PAY VOTED EXPENDITURE (A)</b>											
Pension and Gratuity Liability (N1)											
<b>TOTAL WAGES AND SALARIES COSTS</b>											
<b>B. PERSONNEL OVERHEADS</b>											
1. Travel and Subsistence											
2. Removals											
3. Entertainment											
4. Catering Subsidies											
5. Protective Clothing, Uniforms etc											
6. External training, Seminars etc											
<b>TOTAL PERSONNEL OVERHEADS (B)</b>											
										ANNEX B	







	79/80		80/81		81/82		80/81 to 81/82		79/80		80/81		81/82		80/81 to 81/82	
	Outturn	Provi- sional outturn	Outturn	Provi- sional outturn	Esti- mate	Esti- mate	Differ- ence + or -	Differ- % Diff + or -	Outturn	Provi- sional outturn	Esti- mate	Esti- mate	Differ- ence + or -	Differ- % Diff + or -	Outturn	Provi- sional outturn
	G R O S S C O S T S															
	Cost per Employee (to nearest £)															
D. OFFICE SERVICES (Excluding Capital)																
1. PSA Transport Costs																
2. Transport (own dept) incl vehicle mtce																
3. Telecommunications																
4. Postage																
5. Office Machinery																
6. Stationery																
7. Photocopying																
8. Printing and Publications																
9. Publicity and Advertising																
10. Library Services																
11. Administrative Computers																
12. Minor Admin Expenses (separately annotated where substantial)																
TOTAL OFFICE SERVICES RUNNING COSTS (D)																
E. OTHER SERVICES																
1. GIRO and other banking services																
2. Post Office Agency Charges																
3. Other Agency Charges (see note)																
4. Payments to other Depts for services provided (separately annotated where substantial)																
5. Cost of services provided by other depts borne on supplying dept votes (separately annotated where substantial)																
TOTAL OTHER SERVICES (E)																
TOTAL ( ) VOTED EXPENDITURE																
OFFICE ( ) (A) + (B) + (C) + (D) + (E)																
RUNNING ( ) NOTIONAL COSTS (N1) + (N2)																
COSTS ( )																
TOTAL OFFICE RUNNING COSTS																



	79/80 Outturn	80/81 Provi- sional outturn	81/82 Esti- mate	80/81 to 81/82 Differ- ence + or -	% Diff + or -
G R O S S C O S T S					
F. OFFICE EXPENDITURE - CAPITAL					
1. Land					
2. Vehicles					
3. Telecommunications					
4. Office Machinery					
5. Admin Computers					
6. Others					
TOTAL CAPITAL EXPENDITURE (F)					
G. NON-OFFICE EXPENDITURE - CAPITAL AND RUNNING COSTS					
1. Land					
2. Vehicles					
3. Plant & Equipment					
4. Other					
TOTAL NON-OFFICE EXPENDITURE (G)					
R E C E I P T S & C O S T O F W O R K F O R O G D S					
Z. RECEIPTS & WORK FOR OTHER DEPARTMENTS					
1. Cash received from external customers for repayment services and other recoveries					
2. Payments received from other Depts for services provided (separately annotated where significant)					
TOTAL VOTED RECEIPTS					
3. Cost of services provided to other Depts borne on own Vote (separately annotated where significant)					
TOTAL (Z)					



NOTES FOR GUIDANCE - 'STATEMENT OF DEPARTMENTAL COSTS' - 1981 EXERCISE

NOTES RELATING TO SPECIFIC HEADINGS

C - ACCOMMODATION COSTS PSA will supply data on the civil estate, with the exception of equivalent market rents for specialist accommodation which will be dealt with by RGPD. Data on rates will also be provided by RGPD. Accommodation costs relating to any non-civil estate, ie not borne on PSA votes, should be shown on lines 14 to 17; the associated equivalent market rental will be supplied by RGPD on request and should be shown on line 21. Any actual rents paid should be detailed in a separate annex.

Accommodation cost figures for 1979/80 and 1980/81 were calculated on a different basis to those being prepared for 1981/82.

Total figures only should be inserted for C and N2 in 1979/80 and 1981/82 but it should be recognised that these are not strictly comparable to those shown for 1981/82.

E3 - OTHER AGENCY CHARGES This item includes the employment of contract labour (eg cleaning staff but not the direct labour element in government contracts).

F - CAPITAL EXPENDITURE Guidance on capital for the purposes of this exercise is given in Appendix A.

G - NON-OFFICE EXPENDITURE This should include all voted expenditure of an administrative nature not detailed in sections A to F. It is included to assist departments reconcile the voted expenditure detailed in the return (sections A to G) with that shown in Supply Estimates, Appropriation Accounts etc.

Items included in section G should be itemised in a separate annex so that a central check can be made on the consistency of the treatment of costs.

N1 - P & G LIABILITY P & G liability applied to Ministers and permanent staff only and is to be calculated on the latest rates notified by the Treasury

ie: 1979/80 and 1980/81 - 19% for Non-Industrials and  
16% for Industrials

1981/82 only - 20% for Non-Industrials and  
16½% for Industrials.



Separate rates are applicable to military personnel.

GENERAL NOTES

1. Expenditure figures should be shown gross. Current year (81/82) figures should reconcile with those shown in Supply Estimates. Figures for last year (80/81) should be as near as possible to the anticipated final appropriation account. Figures for 79/80 must be exactly reconcilable with that year's Appropriation Account.
  
2. Departments providing a service to another department should include payments received in section Z line 2, or where "allied" service terms apply, in section Z line 3. Where the service is substantial and identifiable details should be annotated in the return; also the supplying department should notify the "customer" of the amount by 30 May so that the receiving department can include the amount in its costs (section E line 4 for paid services or line 5 for "allied" services).
  
3. Receipts in section Z should only relate to services incurring office type expenditure ie costs detailed in section A to F.
  
4. Departments will probably wish, for their own internal scrutinies, to subdivide areas of substantial costs into organisational units (eg locations, Under Secretary Commands etc) or by functions. The precise nature of the breakdown will need to reflect the internal organisation of the department itself. Although returns may be subdivided for departmental use, a single consolidated return should be submitted to CSD.
  
5. The cost per employee columns have been provided to enable departments to calculate rates for all headings, as necessary, for internal information. In the consolidated return rendered to CSD these columns need be completed for cost element totals and grand totals only.
  
6. A contact should be nominated by each department. The name and telephone number of this representative should be notified to



Manpower Central Branch by 15 May so that a list can be prepared for common use.

Other useful contacts are:

Property Services Agency	: Mr P B Overton 20 Albert Embankment London SE1	(01-211-3254)
Central Office of Information	: Mr D J Etheridge Hercules Road London SE17	(01-928-2345 Ext 8114)
Rating of Government Property Department	: Mr P S Mewes 69 Notting Hill Gate London W11	(01-229-9841 Ext 46)
HM Stationery Office	: Mr P Jefford Sovereign House Botolph Street Norwich	(0603-22211)
Central Computer and Telecommunications Agency	: Mr D Fowler Riverwalk House 157-161 Millbank London SW1	(01-211-0327)
Central Manpower Branch CSD	: Miss M Cund Whitehall London SW1A 2AZ	(01-273-4537)
Accountancy, Finance and Audit Division, CSD	: Mr R S Bunce Whitehall London SW1A 2AZ	(01-273-5248)

7. It would be appreciated if the Statement of Departmental Costs can be forwarded to CSD as soon as completed, and in any event not later than 30 June 1981. Covering commentaries can follow at a later date but not later than mid-September.

APEX CODES

A number of cost headings on the pro-forma correspond with APEX NAC codes. Departments may find that cost collection is assisted by reference to these codes which are detailed at Appendix B for information.



CAPITAL EXPENDITURE for use in Departmental Scrutiny Exercise

1. There is no universal definition of capital which is applicable throughout the Civil Service. Whether an item is regarded as a capital asset will depend on the value and life of the item and the size and function of the department, or branch, in which it is located and utilised.
2. Where an item is presently capitalized (ie listed in an asset register and depreciated over its life) in existing costing systems it should be regarded as capital for the scrutiny exercise. Similarly purchases charged to capital votes should be so treated.
3. Items capitalized or recorded in an asset register, but written off, ie fully depreciated in the year of purchase, should be regarded as running costs for the purpose of the scrutiny exercise (this may include items recorded as "valuable and attractive" eg briefcases, for stocktaking purposes only).
4. Where cost or vote accounting systems do not differentiate between revenue (ie running costs) and capital expenditure it is suggested that capital includes:
  - a. all land, buildings, vehicles, vessels and computers
  - b. all other plant, equipment and office machinery, costing over £1000 and having an anticipated life of at least 2 years.
5. The above is for guidance only and departments should use their discretion in determining their own definitions to meet the needs of departmental scrutinies. The definition used should be stated in departmental commentaries.



## LIST OF COST ELEMENT HEADINGS CORRESPONDING WITH APEX NAC CODES

<u>Cost Heading</u>	<u>APEX NAC Code</u>
<u>B PERSONNEL OVERHEADS</u>	
1. Travel and Subsistence	13001
2. Removals	13002
3. Entertainment	13003
4. Catering subsidies	13022
5. Protective Clothing, Uniforms etc	13021
<u>D OFFICE SERVICES (excluding Capital)</u>	
2. Transport (own dept) including vehicle maintenance	13020
3. Telecommunications	13005
4. Postage	13004
5. Office Machinery	13010
6. Stationery	} 13008
7. Photocopying	
8. Printing and Publication	
9. Publicity and Advertising	13011
11. Administrative Computers	13009
12. Minor Admin Expenses	13030
<u>E OTHER SERVICES</u>	
1. GIRO and other banking services	} 13007
2. Post Office Agency Charges	
3. Other Agency Charges	13006



vb

Gott Mack

11 May 1981

The Prime Minister was grateful for the Chancellor of the Exchequer's minute of 7 May about Mr. Heseltine's plans for rationalisation of the Government estate. She has noted the Chancellor's views.

W.R.

Richard Tolkien, Esq.,  
H.M. Treasury.

St.



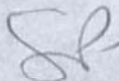
vb

11 May 1981

The Prime Minister has asked me to thank your Secretary of State for his minute of 8 May, giving the facts about the cost of the Balham Jobcentre. She has noted this report.

W.R.

Richard Dykes, Esq.,  
Department of Employment.







*Conk  
Mich*

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

11 May 1981

*WM  
12/5*

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

*Dear Michael*

REPAYMENT FOR PSA SERVICES

I have seen a copy of your letter to Willie Whitelaw.

I am, as you know, entirely in favour of your proceeding as you proposed.

I have also seen the letters from some of our colleagues commenting on your proposal, and I have noted in particular the reservations of the Lord Chancellor, the Secretary of State for Scotland and the Secretary of State for Energy. I can appreciate that they will wish to be satisfied about the detailed arrangements. So shall I. But your proposals are, after all, to be implemented cautiously; the Study Group, and Derek Rayner, recommended that the system should be developed in detail during 1981-82, with a view to a trial run in 1982-83; and that the arrangements should not "go live" until the system had been successfully trialled, perhaps in 1983-84. Clearly if, during this period, it becomes apparent that there are difficulties and disadvantages involved which are not at present foreseen, we might have to consider whether or not to proceed. But it seems to me that the general principle, that in appropriate cases there are advantages in the interests of efficient management in a move to repayment within Government, is something we should agree on. It lines up with what we have done, for instance, for HMSO and what we have agreed in principle to do for COI. So I hope that our colleagues will agree that you should now proceed as you propose, on the understanding that the detailed arrangements have to be carefully studied before any change can finally be implemented.

I am copying this letter to Ministers in charge of Departments, and to Sir Derek Rayner and Sir Robert Armstrong.

*Geoffrey Howe*

GEOFFREY HOWE



2 Weehaw Bvx - for info.

Wm  
8/5.



PRIME MINISTER

M  
②

COST OF BALHAM JOBCENTRE

Following our conversation at Cabinet yesterday morning I think you should know the facts about the Balham Jobcentre. It is a sorry story in which, as you will see, both the Manpower Services Commission and the Property Services Agency are involved.

In 1976, when under strong political pressure to implement the Jobcentre programme, the MSC took a full repairing lease on a building in Balham High Road, relying on a survey conducted by the PSA - who advise them on such matters on a repayment client basis. It was subsequently found that a considerable sum would have to be spent on the building because of structural defects which the PSA survey had overlooked. After prolonged costing by the PSA of the necessary works and detailed examination of the alternative courses of action the Commission, in agreement with the PSA and with the approval of the Treasury, chose as the best available option to buy the freehold. The total cost, including the original lease, the purchase price, repairs and adaptations, furniture, fittings and PSA charges is £599,000.

The MSC Chairman, Sir Richard O'Brien, has personally pursued the matter with the Chief Executive of the PSA. I attach his letter of 7 January 1981 and Sir Robert Cox's reply.

Since this incident took place I understand that new instructions and procedures have been introduced within PSA which are designed to avoid such errors in the future. Peter Morrison is in touch with Geoffrey Finsberg to ensure that he is satisfied that what is now being done on this score provides the necessary safeguards.

Jobcentres are, in general, more cost effective than the old style Employment Offices they replace. I have, therefore, since we came





into office approved continuation of the programme on a modest and reduced scale. Expenditure on the programme was £6.2m in 1980/81 compared with plans approved by the Labour administration for that year of £9.3 million (all figures at 1981 PES prices). The cost of past mistakes has to come out of this reduced provision.

I am sending a copy of this minute to Geoffrey Howe and Michael Heseltine.

J P

8 May 1981





Your ref

Date 7 January 1981

Selkirk House  
166 High Holborn  
London WC1V 6PF  
Telephone 01-836 1213

Sir Robert Cox KCB  
Chief Executive  
Property Services Agency  
Department of the Environment  
2 Marsham Street  
LONDON SW1

Chairman: Sir Richard O'Brien

*Dear Sir Robert,*

THE JOBCENTRE PROGRAMME AND THE PROPOSED BALHAM JOBCENTRE

Since the early 1970s the PSA has played a major role in the modernisation of the public employment service in this country and on behalf of the Manpower Services Commission, I should like to express our appreciation of the effort PSA has made to achieve such a rapid transformation of the Employment Service estate. The MSC has been able to open jobcentres at the rate of nearly 2 a week for the past 7 years, and the success of our programme is a tribute to the hard work of the many PSA staff involved: some 680 offices out of a total of just over 1,000 are now jobcentres.

Inevitably, in such a major modernisation programme there have been problems and difficulties, but the vast majority of these have been resolved through the good offices of your regional and area staff. On a few occasions we have had to enlist the help of your Directorate of Civil Administration, but here again the outcome has usually been satisfactory.

One jobcentre project in the pipeline does however unfortunately stand head and shoulders above all the rest in terms of the difficulty and acute embarrassment it has already caused both PSA and MSC. I am referring to the jobcentre project at 122-126 Balham High Road, London SW12, which at a likely total cost well over £½ million could become a PAC case and at a time of severe public expenditure constraint could also generate considerable adverse publicity for both of us. I therefore feel it would be useful to clarify and agree the extent and nature of PSA's responsibility for the current situation.

Your staff will already have extensive files on our Balham project and I shall only outline what I consider to be the key points. I think we are agreed that the root cause of our difficulties at 122-126 Balham High Road was an inadequate survey by a newly qualified PSA engineer of this old, 8,000 sq ft, three-storey building in the spring of 1976. Had he discovered that the premises had a basement, a simple visual examination of its condition would have been sufficient to reveal serious structural defects and the lease would almost certainly not have been taken. However, on the basis of his favourable report of 14 April 1976, MSC acquired a full repairing lease on the building. The initial

/pessimistic



pessimistic estimate of £41,800 for remedial and occupational works - albeit for the ground floor only, as the two upper floors, some 2,000 sq ft in all, were already let - was increased to £150,000 in March 1978 (approved by Treasury in May 1978) and to £310,000 in April 1980 (approved by Treasury in September 1980). In April 1980 we were strongly urged by PSA to extricate ourselves from the full repairing conditions of our lease - which was to expire in 1989 - by purchasing the freehold. Treasury approval for the asking price of £125,000 was received in June 1980 and the purchase has just been completed. Tenders for the occupational works are expected shortly.

If the Balham jobcentre became a PAC case I would need to ask PSA to accept responsibility for the original surveying inadequacies and for the length of time it took to firm up the works cost estimate. On the former, I do not wish to re-open the debate about professional negligence or liability, as I think differences of opinion were thoroughly aired at the time of the revision of the PSA/MSD concordat; nor do I wish to press for ex-gratia compensation since, if you acceded, it would result only in a transfer payment with no net benefit to public funds. However, as your staff already accept that certain (and we believe crucial) aspects and implications of the survey were not made clear to us at the time, I would be grateful for your own formal acceptance of our view, which is also shared by the Department of Employment and by Treasury (whose view is to be found in their letter of 27 July 1978 - copy attached), that if the MSD had been made fully aware of all the facts of the situation it would have been very unlikely to have acquired a building in need of such extensive and expensive repair.

So far as the question of time taken to firm up the works cost estimate is concerned, at the MSD/PSA meeting on 20 June 1978 the PSA agreed as a matter of priority to undertake a further detailed survey of the premises and to provide a firm estimate of the works costs. Despite this, the estimate was not firmed up until April 1980. Given such a long delay at a time of rapid inflation in building costs, the resultant huge increase was to a certain extent inevitable, but I would welcome your acceptance of responsibility for a major part of the cost inflation on this project. That said, I must also record our appreciation of the marked improvement in response from the PSA Area Works Office involved (Croydon) - on both this and other jobcentre projects which have required Treasury approval - that has resulted from the direct and active personal involvement of the PSA London Regional Director, Mr J R Coates, particularly since April 1980.

Your staff may point out that in April last year, when the estimated total cost of going ahead with this jobcentre project rose to over £½ million, PSA advised MSD to cut its losses by abandoning the project and re-selling the freehold, and we recognised at the time that this was a reasonable line for PSA to take. The MSD does, however, have broader issues to take into account: aborting the project would have entailed several hundred thousand pounds worth



**MSC****Manpower  
Services Commiss**

Your ref

Date 7 January 1981

Selkirk House  
166 High Holborn  
London WC1V 6PF  
Telephone 01-836 1213Sir Robert Cox KCB  
Chief Executive  
Property Services Agency

Chairman: Sir Richard O'Brien

of nugatory expenditure; we would still be without a jobcentre to provide a front door for MSC's range of services in a deprived inner city area; and we would still be saddled with a non-cost-effective Employment Office. In the event a PSA/MSC working party was set up to look at the various options and we decided that on balance it would be less indefensible to proceed with this jobcentre project than to withdraw, and your staff have therefore invited tenders for the occupational works.

Whilst my main purpose in writing is to seek to resolve the extent of PSA's responsibilities, I would very much hope that you will feel able to put your full weight behind the excellent head of steam that Mr Coates has now built up on this project, so that any criticisms can be answered at least in part by pointing to the successful opening of the jobcentre.

Yours sincerely,

Richard O'Brien

---





Department of the Environment

PSA

Property Services Agency

Chief Executive Sir Robert Cox KCB

2 Marsham Street London SW1P 3EB  
Telephone 01-212 7651

30 March 1981

Sir Richard O'Brien  
Chairman  
Manpower Services Commission  
Selkirk House  
166 High Holborn  
London WCLV 6PF

*see in file*

ESD JOBCENTRE - 122/126 BALHAM HIGH ROAD

You wrote to me on 7 January about the Balham Job Centre. I must apologise for the inordinate time taken for me to send you an answer, but it is, as you know, a tangled affair which goes back even further than the 1976 survey you mentioned. In the previous year we had the building surveyed by outside consultants and their report was sufficiently gloomy to lead both your people and mine to the conclusion that we should turn the building down.

Had the story stopped there, all would have been well. However, nothing else was available and you had a pressing need for premises in that area. You asked us to do a further survey, part of which again was carried out by consultants and part was entrusted to an inexperienced PSA surveyor. He had to work under difficulties, including only limited access to the building, and it was regrettable that he did not draw attention clearly to the limitations of his survey.

For your own operational reasons you were pressing us very hard to find premises in the area. There was nothing else available and this led to a conflict between your desire to obtain premises quickly and our reservations about the suitability of the only premises we were able to find. There are lessons for us in this, which I hope we have learnt; as a result of this case, instructions were given to our Regions in 1978 which we hope will avoid a repetition of this type of error in the future. In particular, professional staff are reminded to be very careful about surveys - especially in old buildings; to give a higher (worst case) as well as a lower estimate of cost; and to advise you strongly against taking a building which we have not been able to survey properly, even if this means that there is no prospect of meeting your requirements in a particular area. It is then, of course, for you to decide whether your need is so pressing that you think you are justified in taking a risk.

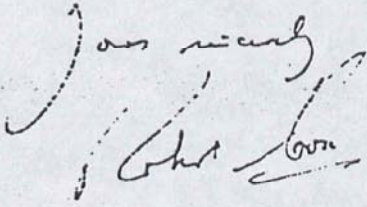


I accept that following the meeting in June 1978 it took a very long time to produce formal estimates. During this time, as ESD staff were aware, several attempts were made to produce more economical schemes which took into account not only the state of the building but also the short unexpired term of the lease. Unfortunately, despite repeated attempts, neither our own professional staff nor the consultants we engaged were able to reduce the scale of work to a level and cost which we could recommend as acceptable in a building with only a few years of the lease to run. We were eventually driven to the conclusion that you should either dispose of the building or buy the freehold.

I am pleased to report that good progress is now being made. The contract for Balham has been let and work has started. We shall do all we can to ensure that at the end of the day we provide you with an operational Jobcentre which fully meets the requirements of your brief.

You quite rightly raised the question of liability, and I am grateful to you for your realistic approach to the question of ex gratia compensation. As you say, this would achieve very little; and I think it is not unreasonable for me to ask you to look at the services we provide for you as a whole. You were kind enough in your letter to acknowledge the success of the Jobcentre programme; I hope and believe that we are doing a good job for you at Sheffield; and the charges we make to you for our estate surveying services are, I believe, well below what you would have to pay on the open market.

Having said all that, I agree with you that we must get a proper statement drawn up about the balance of responsibility in the Balham affair, not only for PAC purposes but also so that we may determine whether there are any further lessons which could usefully be drawn and whether any further guidance is needed to our staff. I am asking my people to get in touch with yours to put this in hand straightaway.

  
ROBERT COX



for information (WEEKEND)



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

PRIME MINISTER

*amb*

Flap A

Michael Heseltine copied to me his minute to you of 2 April about his plans for rationalisation of the Government estate.

2. It is clearly desirable that, where there are highly cost-effective schemes of the kind mentioned, they should be carried out. So far as my own Departments are concerned, it is evident from the discussions which have taken place at official level that considerable short-term savings can be achieved. I, therefore, welcome the Secretary of State's initiative.

3. I understand however that additional provision may be necessary as an initial investment to start the programme going. I need hardly mention the difficulties of the expenditure situation. If these general office rationalisation schemes have been squeezed out of the programme, it is because PSA have had to find the resources for urgent operational requirements of Government Departments.

4. Treasury Ministers will, of course, consider any bids PSA put forward for additional provision in the context of the next public expenditure survey round. There can, however, be no assurance that it will be possible to add to the PSA programme.

5. Treasury officials are discussing with PSA the possibility of providing for the rationalisation schemes from within the existing net programme, for example by a more energetic policy of disposals.





6. I shall be taking a personal interest in the proposals as they affect my own Departments, and I trust that satisfactory arrangements can be agreed for the funding of the rationalisation programme, so that savings can be achieved as soon as possible.

7. I am sending copies of this minute to those who received the earlier minute from Michael Heseltine.

(G.H)

7 May 1981





SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

*Govt  
Mach*

*Wh  
8/5*

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
Department of the Environment  
2 Marsham Street  
LONDON  
SW1P 3EB

7 May 1981

*Dear Michael,*

REPAYMENT FOR PSA SERVICES

You asked for a response by the end of April to your letter of 15 April about putting on to a repayment basis the services provided by PSA. A copy of your letter did not reach me until 1 May.

I have been able therefore only to glance at the proposals and have not yet had the opportunity to study them in detail. I agree however with Willie Whitelaw and Quintin Hailsham, whose letters of 30 and 28 April I have seen, that it is not really appropriate for Ministers to decide in principle on the proposals before their officials have been able to study and report on the implications of moving to repayment. I do not think that it is just Scottish caution that makes me hesitate about accepting the statement in your letter that the new system will not work if Departments query the details of the charges for their accommodation rather than querying their own use of the space they occupy. I should also want to know what form the Treasury proposals will take for dealing with major new works before reaching a final conclusion on changes in the present arrangement.

Let me make it clear that I support the idea of Departments being more accountable for the costs they have to meet: all I am asking for is that those of us who will have to foot the bill for accommodation should be given enough time to study the implications of what is proposed.

I am copying this letter to Ministers in charge of Departments, to Sir Derek Rayner and to Sir Robert Armstrong.

*Yours ever,*

*George*



010  
PRIME MINISTER

MS.

Prime Minister

Weekend

Derek Rayner is content for you to make use of his original complaints, but he believes MSC have responded sensibly, as in paras

MARKS AND SPENCER AND THE YOUTH OPPORTUNITIES PROGRAMME 3+4 below.

1. We touched last Saturday on the problems which Marks and Spencer has had with the Youth Opportunities Programme (YOP). Mrs Thoms gave Mr Pattison a brief note on these yesterday. I understand that you are still concerned about MSC's methods and you may, therefore, like a more detailed account of where we now stand.

2. Last December, I passed to Sir Richard O'Brien four complaints which the M and S Personnel Group had made:

- (a) Before agreeing that an individual store which had not previously offered YOP places could do so, MSC insisted on visiting the store and making a report - even though M and S had shown that they always operated the scheme properly. This meant extra paperwork and delay before school leavers could take up the opportunities on offer.
- (b) M and S's financial system allows for trainees' allowances to be reimbursed either centrally or through individual stores. M and S would much prefer one central agreement, but MSC insisted on area agreements (29 in all) which mean more paper and considerable inconvenience to M and S.
- (c) Offers of extra places had to be confirmed in writing and recorded on a separate legal agreement.
- (d) MSC's Bristol office asked M and S to run a short training course, but could not explain how it differed from the Work Experience on Employer's Premises (WEEP) scheme which M and S already ran.



3. Following my correspondence with the MSC (copied to your office) and discussions between M and S and MSC:

On (a): MSC stopped their visits to and reports on M and S stores not previously involved in YOP.

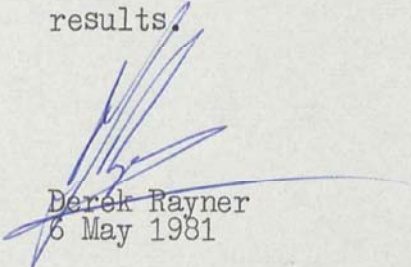
On (c): MSC will transfer written confirmation of extra places to the legal agreement.

On (d): MSC have instructed their Bristol office on the aims of the various schemes and told them they must not run overlapping courses.

4. That leaves (b), the central versus area agreements problem. This will be covered in MSC's 1981 scrutiny (terms of reference annexed). I have made sure that this scrutiny covers value for money from special programmes as well as procedures for dealing with sponsors.

5. In addition, at MSC's request, M and S are seconding a very able man - Mr Michael Johnson - to the scrutiny team.

6. I shall be watching the progress of this scrutiny carefully (it has been designated "particular interest") and believe it has all the ingredients for achieving very good results.

  
Derek Rayner  
6 May 1981



MSC's 1981 RAYNER SCRUTINY

Terms of Reference:

"To review the MSC's procedures and paperwork in recruiting, paying and maintaining relations with the sponsors of schemes under the Youth Opportunities Programme and Community Enterprise Programme, with a view to simplifying them so far as is consistent with the requirements of public accountability, to obtaining value for money from the programmes, and to ensuring adequate checks on fraud and abuse (including "substitution")."





MARKS AND SPENCER AND THE OPERATION OF THE YOUTH OPPORTUNITIES  
PROGRAMME

Marks and Spencer's main problem with the Youth Opportunities Programme (YOP) was that MSC's procedures were too rigid. MSC imposed the arrangements for agreeing and paying for YOP places which best suited them. They would not adapt them to accommodate the sponsor firm - even where the firm had a tradition (as M and S has) of managing the scheme well and offering first rate opportunities.

Following the correspondence between Sir Derek Rayner and Sir Richard O'Brien, MSC have modified the arrangements for agreeing extra places so as to reduce paperwork considerably. MSC had insisted on visiting stores which were new to YOP before agreeing that they could take part and these visits will stop. But this may be a concession to M and S only. This still leaves the problem of MSC's method of reimbursement not being in line with M and S's financial system. This will be taken up in MSC's 1981 scrutiny on special programmes sponsors and value for money.



BRIEFING FOR THE PRIME MINISTER

Marks and Spencer Contribution to YOP

1. Marks and Spencer have operated work experience on employers premises schemes since 1976 (YOP began April 1978) prior to this under the Work Experience Scheme and the Job Operation Programme.

The Company at present offers a total of 540 places under WEEP as follows:

432 retail  
97 catering  
2 stock handling  
9 Miscellaneous

2. At present some 350 places are occupied and the MSC is currently negotiating with the Company to introduce further schemes in their warehouses from the Autumn - location and numbers not yet agreed.

3. Marks and Spencer are meeting with the MSC on Friday 8 May - there is good liaison between the two.

4. Sir Derek Rayner wrote to the Chairman of MSC on 22 December 1980 - Sir Richard O'Brien replied on 23 January 1981 - both letters were copied to P M's Office and concerned the rather dramatic expansion of Marks and Spencer sponsorship of WEEP plans under YOP.

Line to take

The Prime Minister will be aware that there is a scrutiny planned to review the MSC procedures in recruiting and paying YOP and Community Enterprise Programme sponsors by Sir Derek Rayner. [Executives seconded from the MSC will be Gregory Hyland and Michael Johnson] The scrutiny will commence on 11 May 1981.





Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400 GTN 213

Switchboard 01-213 3000

2 pp's

WM

6/5

Rt Hon Michael Heseltine MP  
 Secretary of State for the Environment  
 Department of the Environment  
 2 Marsham Street  
 LONDON SW1

5 May 1981

*Michael Heseltine*

REPAYMENT OF PSA SERVICES

Thank you for copying to me your letter of 15 April to Willie Whitelaw.

Whilst I am content to proceed along the lines set out in your letter I think it only right to point out now that when the detailed questions of mechanics are considered later I shall want to be satisfied about a number of points.

In particular, I welcome the freedom which Departments will have to carry out minor maintenance work in accommodation which they occupy. This is particularly important in the Unemployment Benefit Offices where, as the Rayner Review has emphasised, improvements are needed. A sufficiently high limit to untied expenditure which allows me to make the improvements I judge necessary will need to be agreed. In this connection I support your undertaking that the PRS Group will examine the scope for further untying of PSA services.

As you are aware the UBS will require additional accommodation and with that in mind I attach particular significance to the adjustment to Departments' PES provision to which you refer and I would wish my Department to be represented in discussion of that and other matters.

On the matter of payment for unused accommodation the proposals are not clear enough to ensure that Departments are not charged for all accommodation they release. This, too, will need to be agreed.

I am copying this letter to recipients of yours.

*Michael Heseltine*





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

From the Minister

The Rt Hon Michael Heseltine MP  
Secretary of State for the Environment  
2 Marsham Street  
London  
SW1A 0AA

*W*  
*6/5*

5 May 1981

*Re Michael*

REPAYMENT FOR PSA SERVICES

*will request it read*  
I have no major reservations about the proposals in your letter of 15 April for putting the services provided by the PSA on to a repayment basis.

It will of course be essential to give Departments a fair initial PES allocation at the start of the new arrangements. I think it should also be recognised that to operate the new arrangements effectively will involve extra work and probably extra staff in individual Departments. These aspects along with other matters need to be borne in mind in interdepartmental discussion of the implementation of your proposals.

I am copying this letter to Ministers in charge of other Departments, and to Sir Derek Rayner and Sir Robert Armstrong.

*Peter Walker*

PETER WALKER



Govt.  
9 March  
Revised printing.



QUEEN ANNE'S GATE LONDON SW1H 9AT

30 April 1981

Dear Michael

✓  
MHS

REPAYMENT FOR PSA SERVICES

*with requests required*

In your letter of 15 April you sought my agreement and that of other Ministers in charge of Departments to the proposals which have been worked up under the direction of Sir Derek Rayner for putting services provided by PSA to the civil estate on to a repayment basis, chargeable to Departmental Votes.

Accepting as you say in your letter that much still remains to be worked out in consultation with Departments on the detailed arrangements of the scheme, and reserving judgment in my own case on the assumption in paragraph 14 of Sir Derek Rayner's minute of 23 January to the Prime Minister that costs to Departments are likely to be marginal, I agree in principle that a repayment scheme on the broad lines proposed should go ahead.

I am copying this letter to Ministers in charge of Departments, to Sir Derek Rayner and to Sir Robert Armstrong.

The Rt. Hon. Michael Heseltine, M.P.





Secretary of State for Industry

*Govt Mach* ✓

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB  
TELEPHONE DIRECT LINE 01-2123301  
SWITCHBOARD 01-212 7676

28 April 1981

The Rt Hon Michael Heseltine MP  
Secretary of State for the  
Environment  
Department of the Environment  
2 Marsham Street  
London SW1P 3EB

*Ian Michael*

I agree with the views expressed in your minute of 2 April to the Prime Minister about the need to reduce and rationalise the Government's office estate. I am taking a personal interest in the savings that can be achieved and have asked David Young to keep in touch with the officials concerned.

2 Department of Industry officials are cooperating with the PSA about plans to rationalise the office accommodation the Department occupies both inside and outside London. The momentum must be maintained and I can assure you of my support.

3 Regretably, however, I cannot quantify the savings we are making because the PSA are not able to provide a breakdown of costs on the lines given in the second paragraph of your minute. As you know, I am convinced that Departments will have a proper incentive to reduce their accommodation costs only if they are required to bear the actual costs of the accommodation they occupy.

4 I am glad that DOE officials are discussing with the Treasury how the financing of the programme of building adaptations etc can best be handled. This is particularly important; it is essential that the major savings which can be achieved by rationalising the Government estate should not be jeopardised by an inability to meet the cost of adapting buildings for new purposes and users. We need to ensure, however, that the pay-back period over which savings are achieved is sufficiently short. If you find that there are difficulties about financing the building adaptations needed to ensure rationalisation I hope you will let me know in case there is anything I can do to help in collective discussion of the subject.

5 I would also suggest that, wherever possible, when office space is given up, leasehold properties are released and freeholds retained.





6 I am copying this letter to the Prime Minister, Leon Brittan,  
Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

Leon,

Kevin.



29 APR 1981





✓ MJD  
Gout  
Mack

MINISTRY OF DEFENCE WHITEHALL LONDON SW1A 2HB

TELEPHONE 01-218 9000  
DIRECT DIALING 01-218 2111/3

MO 8

28th April 1981

Dear Michael


REPAYMENT FOR PSA SERVICES

I welcome in principle the objectives and proposals outlined in your letter of 15th April to William Whitelaw. However, as my predecessor emphasised in his letter of 16th December last, its beneficial impact on my Department would be very much greater if accompanied as early as possible by a transfer of major works services funding to Departmental PESC programmes, so that we can control our own priorities for such when weighed against other defence requirements. I note that Treasury will be circulating proposals on the subject soon; I would like to see them considered urgently with such a change in mind and have asked my officials to pursue this accordingly.

I am copying this to the Prime Minister and to the other recipients of your letter.

Yours ever  
John  
John Nott





HOUSE OF LORDS,  
SW1A 0PW

*With the  
Lord Chancellor's Compliments*



FROM:

THE RT. HON. LORD HAILSHAM OF ST. MARYLEBONE, C.H., F.R.S., D.C.L.



HOUSE OF LORDS,  
SW1A 0PW

28th April, 1981

The Right Honourable  
Michael Heseltine, MP  
Secretary of State,  
Department of the Environment,  
2 Marsham Street,  
London,  
SW1P 3EB.

✓  
MH

*My dear Michael,*

Repayment for PSA Services

Thank you for sending me a copy of your letter of 15th April to Willie Whitelaw on the above. ✓

There is force in your argument for moving to a repayment system. But you appear to underestimate the magnitude of the operation. It will prove to be considerably more than a matter of mechanics, as your penultimate paragraph appears to imply. It will involve serious questions of management, accountability, PESC re-allocations, additional staff resources etc. In particular, there are special considerations affecting departments like my own which necessarily occupy a good deal of highly specialised accommodation.

In the circumstances I consider it premature to endorse even in principle the proposals contained in your letter. My suggestion - following the course you have foreshadowed - is that PSA should circulate to client departments an outline of the proposed arrangements, and that the Treasury should similarly spell out in broad terms the consequential changes in the PES and Vote arrangements. When officials have had time to consider, and advise on, the implications, we shall be better placed to take decisions.

There should be no difficulty in PSA and the Treasury acting promptly on these lines, since they have obviously already done a good deal of the groundwork, though client Departments, as I understand the matter, have not yet been consulted.

I am sending a copy of this letter to the recipients of yours.

yrs "



Rane



✓ M/R

2 MARSHAM STREET  
LONDON SW1P 3EB

My ref:

Your ref:

28 APR 81

Dear John

The Secretary of State wrote to the Home Secretary on 15 April about proposals for putting services provided by PSA to the civil estate onto a repayment basis.

Regrettably part of a sentence was omitted from the fifth paragraph of the letter. This paragraph should read:

Nothing in these proposals is intended to detract from PSA's central responsibility for the management of the civil estate or its overall responsibility for controlling the cost of accommodation services. Broadly speaking Departments are responsible for the amount of space they occupy, and its general location, and for justifying any other special requirements: PSA is responsible for meeting Departments' requirements economically and effectively. The new system is intended to reinforce Departments' sense of responsibility for their accommodation costs and to assist PSA in the efficient management of the estate.

I would be grateful if you could make the necessary amendment and apologise for any inconvenience which may have been caused.

I am copying this letter to private secretaries to Ministers who received the original letter.

Yours sincerely

J P Channing

J P CHANNING  
Private Secretary

J F Halliday Esq





2 MARSHAM STREET  
LONDON SW1P 3EE

Mr Delahans

cc. Mr H.P. Johnston

Mr Sempis

My ref:

Your ref:

15 April 1981

Mr A. L. L.

File in Cabinet by ...  
to Over-... Group

Don L. L.

#### REPAYMENT FOR PSA SERVICES

The Prime Minister has asked me to write to Ministers in charge of Departments about proposals for putting services provided by PSA to the civil estate onto a repayment basis - that is charged to Departmental Votes. These proposals have been prepared by an inter-departmental group of officials, under the direction of Sir Derek Rayner and have been endorsed by him. The Prime Minister, the Chancellor of the Exchequer, the Lord President and myself have agreed that they should be commended to colleagues and it is hoped that they can now be agreed by correspondence by the end of this month.

I enclose a copy of the report by the inter-departmental group (the PRS report), with a covering note by the Chairman of the Group and a copy of Sir Derek Rayner's minute of 23 January 1980 to the Prime Minister in which he endorsed the report's proposals.

The main features of the proposals are:

1. PSA will charge Departments occupying properties on the office estate an Accommodation Charge covering rent, rates, minor works and major maintenance costs, related to the space they occupy (energy costs will be charged separately where possible). A similar charge will be made for properties on the storage and specialised estates.
2. The Accommodation Charge will be based on a unit cost per sq ft occupied. As the space occupied is reduced, all associated costs - rent, rates, maintenance etc - reflected in the Accommodation Charge will be reduced pro rata (subject to conditions).

01/4/11



3. The Accommodation Charge will be borne on Departmental Votes and will be reflected in Departments' PES.
4. Departments will be "untied" from PSA in relation to minor maintenance works - that is they will be free either to make their own arrangements with jobbing builders etc or to make use of PSA's measured term, or lump sum, maintenance contracts.
5. The arrangements for dealing with major new works in PES are under review and proposals will be circulated by the Treasury shortly. Possible changes in these arrangements are not dependent on the move to repayment and can be considered separately.
6. PSA Supplies services to Departments on the civil estate, at present provided on an allied service basis, will be charged on normal repayment terms with Departments paying PSA Supplies direct for the goods and services received.
7. There will be a trial run of the new system starting with the 1982/83 Estimates round (but not incorporated in Votes) leading to full Vote accounting in 1983/84.

Sir Derek Rayner has emphasised that he sees these proposals as an essential part of the general approach to accountability in Government - that Departments should pay for everything they consume and that costs should fall where they arise. The aim is to ensure that Departments are fully conscious and responsive to the accommodation costs that they incur and that they take what steps they can to reduce them and use their accommodation more efficiently.

Nothing in these proposals is intended to detract from PSA's central responsibility for the management of the civil estate or its overall responsibility for controlling the cost of accommodation services. Broadly speaking Departments are responsible for meeting Department's requirements economically and effectively. The new system is intended to reinforce Departments' sense of responsibility for their accommodation costs and to assist PSA in the efficient management of the estate.

The new system, based on unit costs, has been designed to be reasonably simple and cheap to operate. An essential feature of the new system, therefore, is that Departments, in paying the Accommodation Charge, will not be accountable for the detailed figure work in those charges (see PRS report Annex I paras 8-9). The system will not work if Departments seek to reduce their accommodation costs by querying the details of the charges rather than by querying their own use of the space they occupy and hence their total accommodation costs.

I attach the greatest importance to ensuring that the size of the civil estate is reduced as civil service numbers are reduced, and indeed, I believe that there are opportunities for economies going well beyond that. I have copied to colleagues my letter of 2 April 1981 to the Prime Minister about the scope for major estate rationalisation in London and elsewhere.



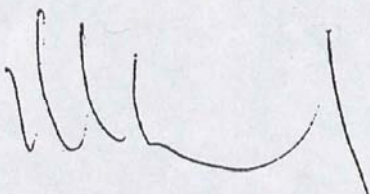
If the proposals for repayment are agreed in principle by colleagues, PSA will circulate details of the new arrangements and will arrange meetings with Groups of all client Departments to explain the system in detail. Changes in the PES and Vote arrangements will be dealt with by the Treasury. Departments' PES provision will, of course be adjusted to take account of the change to the repayment system.

Implementation of the system involves a great deal of work for PSA and it is inevitable that on such a vast estate (over 70 million sq ft of offices alone) it will take time to establish a fully accurate data base. It has not been necessary in the past to keep detailed records of space occupied by Departments as distinct from estate property records and Departmental holdings. There will be some rough edges to start with but it should be possible to smooth these out in the course of the trial run. Once the new system is established it will be possible to make further improvements (eg more refined rental zones) and it is proposed that the PRS Group, with the addition of representatives of client Departments, should begin later this year consideration of such possible future refinements. This Group will also examine the scope for some untying of PSA services, in addition to minor maintenance, as part of the repayment relationship.

The PRS report recommended that separate consideration should be given to the Defence and Diplomatic estates, which are the subject of separate Vote arrangements, and I shall be writing separately to the Secretaries of State for Defence and the Foreign and Commonwealth Office about this. It has been agreed that PSA Supplies services to the Diplomatic estate should be put on a repayment basis.

The Prime Minister has asked that colleagues should let me know by the end of this month whether they have any major reservation about proceeding on the lines proposed. Detailed questions of mechanics can be considered separately.

I am copying this letter to Ministers in charge of Departments and to Sir Derek Rayner and Sir Robert Armstrong.

Yours ever  


MICHAEL HESELTINE





10 DOWNING STREET

*From the Private Secretary*

27 April 1981

The Prime Minister has seen Sir Derek Rayner's minute of 15 April about the 1980 Scrutiny about the Validation of National Insurance Contribution Records. She is delighted to learn of the outcome of this work. She endorses Sir Derek's comments about the excellent work of the officials who have undertaken this study, following the high quality of earlier Scrutiny work in DHSS.

I am sending copies of this letter to Don Brereton in your Secretary of State's Office, and to Clive Priestley in Sir Derek Rayner's Office.

M. A. PATTISON

*R*

J. T. Hughes, Esq.,  
Department of Health and Social Security.





✓ MAD

WR

CABINET OFFICE

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

24 April 1981

Sir Ian Bancroft GCB

*Spec. Sec.*  
*IN YELLOW FOLDER*

PRÉCIS OF 1980 SCRUTINY REPORTS

In my minute to the Prime Minister of 19 December last, circulated to Ministers under cover of Mike Pattison's letter of 5 January, I said that I proposed to issue précis of the 1980 scrutiny reports. I now do so (attached). I am very grateful to Carolyn Morrison of your Department who drafted some of the précis while helping out here last autumn, and to departmental examining officers who either wrote or corrected drafts.

The scrutinies have shown that there are common threads and problems in the administration of government, even though the particular solution may vary, and I hope the précis will help Departments to take both encouragement and benefit from the good work of others.

The précis are classified 'Management-in-Confidence' on the grounds that Ministers are still to take decisions on a number of the reports. I hope that it will be possible to remove the classification later in the year and give them the wider circulation that they deserve.

I am copying this, and the enclosure, to Clive Whitmore and to all Permanent Secretary heads of Departments. I shall also be sending copies of the précis to last year's examining officers who contributed to them.

*upon spec*  
*Spec*

DEREK RAYNER

Enc: Précis of 1980 scrutiny reports



PRÉCIS  
OF  
1980  
SCRUTINY REPORTS

Sir Derek Rayner

Cabinet Office

April 1981



PRÉCIS OF 1980 SCRUTINY REPORTS

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## HOME OFFICE

### APPLICATION FOR NATURALISATION AND FOR REGISTRATION AS A CITIZEN OF UNITED KINGDOM AND COLONIES

This scrutiny reviewed the functions performed by B4 Division in the Immigration and Nationality Department of the Home Office to see what scope there might be for streamlining the processes involved and making changes to provide a more efficient and economical service.

#### MAGNITUDE/SCOPE OF SCRUTINY

Narrow area, 212 staff, dominated by demand-led casework on preliminary enquiries and actual applications for naturalisation/registration. In 1979 there were 53,350 of the former, and 48,600 new applications for naturalisation/registration, plus earlier cases still under consideration. Rate of applications has been rising steeply since 1977. Fees (reviewed annually) are charged relative to the work involved with eventual target of covering full administration costs.

#### CURRENT SITUATION AND PROBLEMS

Individual applications for naturalisation and registration as a citizen of United Kingdom and Colonies are made under the 1948 Nationality Act as subsequently amended. Naturalisation decisions are discretionary, based on suitability, and registration originally followed as an entitlement once eligibility had been established from the application. Since 1973, however, suitability has also become a requirement for certain categories of registration, and the time taken to process applications has lengthened accordingly. The July 1980 White Paper has indicated that the balance will shift even further from entitlement to discretion related to suitability. There is no firm basis on which to predict future levels of applications but a high level must be expected up to the operative date of the new legislation and under its transitional provisions - and as long as political uncertainties elsewhere make a United Kingdom passport attractive.



The several stages through which an applicant must go consist chiefly of completing a detailed form and providing supplementary information on request as a preliminary to enquiries (outside London by the police; inside London by police/immigration service) to ascertain suitability. Only at the last, when naturalisation or registration are granted, does he pay the appropriate fee. The timescale is variable, reflecting as it does sometimes on the applicant replying to requests for further information and at times on the workload in various sections of the Division or the police.

The staff were complemented at 217, reduced to 212 in the 1980 manpower exercise with possible further reductions in subsequent years. They are under pressure, and there are considerable arrears of work. There is high turnover of locally recruited (Croydon) clerical staff. There is 5/6 week initial training course, combining theory and practice. Overtime is not being worked in the Division, and scope for it would be limited to preventing delays in particular areas. Casual staff in the summer do much good work here.

Physically the Division needs to be located in the same building as the rest of the IND at Croydon, and IND staff made more inter-changeable in order to develop their careers, since reluctance of Central London based staff to come to Croydon, makes inter-change with them difficult.

In 1979 arrears of work began to accumulate drastically and various measures were taken to counter this. These increased output significantly but could not match the increase in registration applications and still left considerable arrears. Naturalisation and discretionary registrations still take 2 years 2 months and other registrations between 4-12 months.

Previous to May 1980 staff specialised on either naturalisation or registration casework but, with new legislation in the offing, the Division has been reorganised, to bring the two sides of the work together gradually. Integration is at present at HEO and SEO levels, and later will be at Principal, EO and clerical. The procedures have been streamlined as much as possible in processing applications, but it is too early to say how effective this reorganisation has been, except it has highlighted areas where harmonisation between the two sides can be undertaken.



## RECOMMENDATIONS

### a. Action

1. Several in the area of general administrative/procedural reform, eg
  - common physical location with the rest of IND
  - radical review of existing application forms and explanatory memorandum
  - divisional handbook of instructions updated
  - review of stock letters
  - create a 'policy support group'
  - review scope for limited overtime
  - review training (including scope for refresher training) in light of new legislation
  - pursue scope for transfer within IND for career planning
  - review worksheets used for monitoring
  
2. Several in the area of casework, eg
  - continuous attention by middle and senior management
  - strengthen clerical resources in key areas
  - devolve more decision-taking to SEO level
  - extend integration of naturalisation and registration work to EO level, but wait new legislation before extending to CO level
  - drop the requirement to advertise
  - reduce detailed scrutiny of business activities
  - test effect of waiving personal interviews where police are satisfied by preliminary enquiries
  - take power in new legislation to alter timing of allegiance
  
3. Several on the level and collection of fees and on statistics, eg
  - introduce preliminary non-returnable fee
  - take powers in the new legislation to charge fee for ancillary services
  - charge the current level of fees if the applicant delays his application by more than 12 months
  - make the annual naturalisation index available to Embassies etc on repayment
  - replace publication of the annual Command Paper of tables by periodic bulletins
  - continue to study retrieval of records by computer



b. Further Study

Much of the above will require further study in the context of the eventual shape of the new legislation. Continued study of a model to predict work levels and of micro-computer applications to casework are also recommended.

POTENTIAL SAVINGS

No reliable estimate can be made in advance of implementation but the report comments:

"The results of the review represent the equivalent of an extensive spring-cleaning, rather than the identification of changes which would produce a radical reduction in staff resources."

There would have been scope for major savings if the criteria for citizenship had been changed in ways other than that announced in the July White Paper.

The recommendations, however, make better use of hard-pressed resources, and will speed up casework, with swifter collection of more fees. At present only 40 per cent of costs are being recovered against the eventual target of 100 per cent. If additional staff were made available this would further an early increase in exchequer receipts and eventually recover their added cost.

COST OF SCRUTINY

£5,888:



LORD CHANCELLOR'S DEPARTMENT

THE ADMINISTRATIVE ARRANGEMENTS FOR JURY SUMMONING AND SERVICE IN THE  
CROWN COURT

This scrutiny examined the procedure for obtaining jurors in the Crown Court and the use which was made of their services. It made recommendations for keeping the numbers empanelled to a minimum and for reducing the waiting time of those selected for service.

MAGNITUDE/SCOPE OF SCRUTINY

Narrow. About 180 people of C0 equivalent grade are involved. Jury summoning costs £1.65 million a year and £11.9 million a year is spent on jurors' travelling, subsistence and loss of earnings expenses.

CURRENT SITUATION AND PROBLEMS

In all, some 400,000 persons a year are summoned for jury-service in the Crown Court, of whom about 190,000 are empanelled ie included in the list of those required to attend court as jurors in waiting. From these persons, juries are formed to hear about 21,000 cases involving 27,000 defendants.

Courts normally summon about twice the number of jurors they need for the panel. It was found that roughly 8 per cent were ineligible or disqualified, 8 per cent had left the address given in the electoral register, 3 per cent exercised their right to be excused because of their occupation and 30 per cent were excused for personal or business reasons at the discretion of the court.

There is variability in the procedures between courts for summoning with the danger that well intentioned but undesirable practices may creep in.

A number of factors (eg last minute guilty pleas, uncertainty about timing of start of trial) conspire to cause the time of jurors to be wasted in the sense that they have to spend time waiting about the court or standing away from it.



There is a tendency on the part of some courts to establish a figure for the jury panel which provides a safety margin and then to keep to it without a periodic check on its validity.

Those included on the panel spent, on average, 6 days in court, of which 2 days - though not necessarily complete days - were spent waiting to serve on a jury.

## RECOMMENDATIONS

### Selection for Service

In order to keep the number of summonses and the work on excusals etc, to a minimum, it was recommended that persons should normally be summoned for a fortnight's service. A sequential system of summoning was recommended to ensure that the principle of random selection is observed. As jurors usually spend no more than  $6\frac{1}{2}$  hours a day in court, it was considered that in order to lessen travelling difficulties, those whose day including travelling would exceed 9 hours should not normally be summoned.

A table was prepared as a guide to the number of persons to be empanelled at various centres, against which courts could review their needs. It was recommended that not all cases should be commenced at the same time, so that persons not selected to serve on one jury could be included in the ballot to select a jury in another courtroom. In order to guard against the possibility of an occasional shortage of jurors it was proposed that courts endeavour to establish a reserve list of jurors (from amongst those whose service has previously been postponed) who could serve at short notice.

### Pattern of Jury Service

The arrangements made for the attendance of jurors were examined and compared. Although it did not prove possible to propose a uniform arrangement, the advantages of an overlapping system of calling one half of the persons on a panel on Monday with the remainder attending on the following Monday - each group serving for a fortnight - were noted. The methods of standing down those not needed for service as a result of last-minute changes in the lists,



or not being selected in the ballot were reviewed and a greater use of the telephone to keep in day-to-day contact with jurors in waiting to establish when they were next required in court was recommended.

#### Jurors' Allowances

It was considered that jurors who use their cars to attend court should be paid at the public transport mileage rate, but that courts should have discretion to pay car parking charges in addition in circumstances where the use of a car brings about savings. The allowances payable to jurors should be by payable order unless cash payment is specifically sought, the amount is small, or the co-location of a county court office enables transfer of cash to be arranged.

#### POTENTIAL SAVINGS

Uncertainty about last minute guilty pleas, the time which cases will take to hear, the availability of persons for jury service together with each defendant's right of challenge, prevent the elimination of waiting time as a feature of jury service. Nevertheless, over-insurance leads to too many persons being empanelled at some courts and more stringent summoning and better control of jurors in waiting could lead to annual savings of £100,000 in 1980 price terms.

#### COST OF SCRUTINY

£13,761.



## FOREIGN AND COMMONWEALTH OFFICE

### OFFICIAL TRANSPORT ABROAD

This scrutiny examined the present arrangements for providing official transport for Diplomatic Service posts abroad and considered if these could be improved to make them more efficient and economical.

### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, but with implications for the overseas fleets of MOD, British Council and ODA. Total bill for FCO fleet large and cost consciousness here an important element in FCO cash limits.

### CURRENT SITUATION AND PROBLEMS

The FCO provides official transport for 161 posts overseas in 123 countries, with over 860 vehicles. Capital expenditure for 1980-81 will be £1.7 million for 198 vehicles, plus £710,000 for security work. Maintenance of the fleet will be about £1 million and salaries of 660 locally engaged car staff £2.5 million, with a further £59,000 in FCO staff administering the transport.

There are 67 foreign vehicles - bought either because a country bars imports, or it is impractical to run British cars.

The administration of the FCO fleet is complicated by its geographical distribution and widely differing conditions. The average size of a fleet is 5.3 vehicles.

The fact that the FCO is not a commercial enterprise prevents them from buying the best value locally. It basically buys British, and does so via the MOD as set out in the Establishment Officers guide, with written permission of CSD. If a foreign car needs to be bought, Industry should be consulted, likewise Trade, and the British Overseas Trade Board. But no guidance specifically relates to the purchase of cars for use abroad. Furthermore, the Treasury rules forbid the use of receipts from the sale



of vehicles in excess of the amount in the Estimates to defray the cost of replacing vehicles on an earlier timing - excess profits go direct to the Consolidated Fund. This, combined with Cash Limits and PESC do not encourage sensible management of the purchase and sale of official vehicles.

Such an arrangement makes operation of the FCO fleet very difficult, since the rigidity imposed cannot adequately meet the widely differing considerations in 161 countries, unlike a home fleet in the United Kingdom. MOD however argue that the size of their orders gives them preferential purchasing discounts which a split order would not secure. They do not like direct contact between the manufacturer and the customer Department, so the FCO has not been able to discuss the best vehicle for each use, the spares problem, or where there might be scope for targetted marketing.

Ford and Leyland have said they will give the same discounts to the FCO, and they would welcome direct discussions, as are had now with Rolls Royce.

It is often cheaper to buy British vehicles abroad than through MOD, since car companies price according to the local market, and there are lower delivery costs. There is often less waiting for delivery, especially where there is a regional assembly centre. Information on prices can be kept up to date by the post and checks made against United Kingdom prices.

The rules on replacement of vehicles again were drawn up with United Kingdom conditions in mind, and often are anomalous abroad, eg conditions and tax advantages. There are 74 countries where earlier sale would save or make a profit, but while excess monies go into the consolidated Fund there is little incentive to take advantage of this.

The CSD's Transport Economy Unit advises on the fleets of other Departments, and monitors use, and purchase. All FCO cars have been individually approved, though CSD usually accepts FCO recommendations on suitability of vehicle. There seems little point in auditing FCO requirements independently without incurring extra costs; the FCO meet CSD's requirements adequately already and are under their own cash limit constraints.



The Department of Industry insists on British cars for Her Majesty's Government's use, and even blacklists some models that are assembled abroad and in the United Kingdom. It is very much cheaper in most countries to buy their cars, or Japanese, and more efficient in servicing etc so the consideration of who should meet the extra costs must be opened up - the car manufacturers or DOI. Or should only the flag cars be British?

The FCO control and administration in Transport Section is too centralised, with little responsibility given to the diplomatic post using the vehicles. The details of all vehicles are poorly computerised and interpreted, and probably not required for such a small operation. Posts are the best judges of requirements and alternatives for most efficient operating in their particular conditions.

Some use is made of officers' private cars on official business, and the size of fleets is determined on the assumption that most staff will do so. It is debatable whether this is a reasonable assumption, since the FCO, compared to private companies, gives little help in purchase, and insists on buying British, not always to an officers' advantage. If the spouse requires a car, the officer is more inclined to use official transport. The mileage allowances are not an inducement to use of private cars, and extra insurance is often involved. More consideration needs to be given to costs of hire etc in each post to adjust incentives appropriately.

#### RECOMMENDATIONS

##### a. Action

1. The Diplomatic Service should control its own vehicle purchasing programme and policy, including when and where to buy foreign cars, direct dealing with British car manufacturers rather than through MOD, etc.
2. The FCO should consider how more responsibility should be delegated to posts for the efficient implementation of its transport policy.
3. The FCO should consider restructuring its mileage allowances to reflect each country's motoring costs, and encourage greater use of private cars on official business.



4. The FCO should consider a number of detailed recommendations for more efficient and post-related motoring conditions.

5. The computer records of vehicles to be scrapped.

b. Further Study

The mileage allowances will need to be discussed in the general context of the review of foreign service allowances.

POTENTIAL SAVINGS

a. Absolute

Not easily quantifiable (separate calculations need to be made for each country) but could be of the order of £0.5 million per annum.

b. Proportionate

Approximately 6 per cent.

COST OF SCRUTINY

£14,851.



FOREIGN AND COMMONWEALTH OFFICE  
(OVERSEAS DEVELOPMENT ADMINISTRATION)

THE DIRECTORATE OF OVERSEAS SURVEYS (DOS)

The DOS is the map production facility of the ODA. The scrutiny examined the activity, institutional structure, operational efficiency and competitiveness with the private sector of the Directorate.

MAGNITUDE/SCOPE OF SCRUTINY

The Directorate is largely but not entirely an aid-financed map production factory, rather than an administrative unit or scientific station. It costs HMG £5.4 million per annum and employs just over 300 staff in producing a wide range of maps for a wide range of Third World countries.

The scrutiny examined the effective aidworthy demand for DOS output, the extent to which current administrative arrangements ensured that output matched effective demand, the full costs of DOS output and the possibility of the private sector providing a cheaper alternative, and, in the light of the answers to these questions, the most advantageous institutional and procedural arrangements for the future.

CURRENT SITUATION AND PROBLEMS

The Value of Output

The DOS started its life in 1946 with a mandate to map the then Empire. By the late 1960s this mandate was modified and new institutional arrangements introduced so as to integrate DOS activity into HMGs other overseas aid efforts. In fact this integration has been limited. The volume of output from DOS is broadly determined by the size of the block grant made available annually by ODA independently of genuine demand criteria. What is produced, given these resources is determined largely by DOS themselves on their own judgement of priority need. In some areas this judgement was found to be significantly at variance with "genuine developmental need". ODA's internal integration arrangements had not operated effectively to determine either appropriate volume or content of DOS activity.



### Cost and Competitiveness

Full and fair comparison with the private sector in field survey and map production was difficult, particularly for field survey. But after extensive investigation the conclusion was that for the more straightforward work the DOS was 50 per cent more expensive in map production and one third more expensive in field survey. To the extent that the reasons for these differentials could be identified they varied as between types of work with different weightings as to unit manpower costs, manpower productivity, and overheads.

Some areas where the operational efficiency of DOS could be improved were identified including the elimination of the duplication of certain cartographic processes, and the improvement of the management information provision. But these improvements if and when implemented were not foreseen as capable of making DOS broadly competitive, excepting certain specialised areas of production.

### Training, Information, Advisory and Contract Control Services

These services, although linked to a greater or lesser degree to production activity, have a value of themselves to ODA-HQ, MOD and the private sector (consultants etc). A specialist contract preparation and supervision capability is particularly important to ODA if privatisation of aid financed map production is to expand. The function cannot be contracted out as it can for example in civil engineering.

### The Problems of a Rump

If advantage were to be taken of privatisation of the more straightforward work this would leave DOS with a small specialist production capability and a shell of specialist contract supervision, information, advisory and training services. Viability was a particularly difficult concept to pin down but certainly the production facilities remaining would suffer from a disruptive flow-line and the diseconomies of small-scale, and there would be problems offering all the specialist professional staff an adequate career structure.



## RECOMMENDATIONS

The principal recommendation was that DOS should be reduced in size by 65 per cent and relocated in Southampton as an Overseas Division of the Ordnance Survey. The reduction in size would be achieved by a change in funding arrangements which would be likely to reduce the demand for mapping; by improving operational efficiency; and - most important of all - by passing the more straightforward work to the private sector.

The Overseas Division would retain all its ancillary functions but only a small proportion of its map production capability, most of this being contracted out to the private sector.

The relationship between the Overseas Division of the Ordnance Survey and ODA would be financial only, ODA paying project by project for map production work, and by annual block vote for ancillary activities, including contract preparation and supervision.

## POTENTIAL SAVINGS

### a. Absolute

Annual saving by 1985, in 1980 prices -

Reform of Current Practices	£0.183m
Reduction in Volume of Throughput (largely a cost reduction rather than a saving)	£0.920m
Transferring Appropriate Work to Private Sector	£0.504m
Occupation of Surplus Office Space	£0.300m
Relocation to Southampton	£0.372m
	<hr/>
	£2.279m
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### b. Proportionate

40 per cent

## COST OF SCRUTINY

£13,150.



## H M TREASURY

### THE MONITORING OF CENTRAL GOVERNMENT EXPENDITURE BY TREASURY SPECIFIC EXPENDITURE DIVISIONS

This scrutiny examined the functions of Treasury specific expenditure divisions (which are responsible for covering individual areas of public expenditure eg defence, education etc) in monitoring central government expenditure during the year. Particular regard was paid to their use of the computerised Financial Information System.

#### MAGNITUDE/SCOPE OF SCRUTINY

Monitoring is one part of the system for planning and controlling central government expenditure. This scrutiny was not intended to cover other aspects of the system (notably planning - through the Public Expenditure Survey - and the procedures for control in-year - through Estimates/cash limits), which were the subject of separate review. However it did extend to the work of specific expenditure divisions in the procedures for setting Supply Estimates. The scrutiny dealt exclusively with the work of the Treasury: monitoring in spending departments was not covered, nor was the work of CSD.

Monitoring is undertaken principally by staff in the Principal and executive grades (some 93 staff in all), who report the results of their work to more senior officials. At the time of the scrutiny, the work consumed little time: direct costs were estimated at only £17,000. The separate Estimates activity was more time consuming, costing £155,000.

To these direct costs must be added a share of the costs of the general expenditure divisions (£800,000), who are responsible for central administration of the planning and control system; the costs of the Treasury/CSO computer (£130,000); and the cost of staff etc in the Paymaster General's Office (£370,000) which collects expenditure information. The services of these central functions are not used exclusively by specific expenditure divisions, and there is no reliable information available to make a satisfactory apportionment of the costs among the various users.



## CURRENT SITUATION AND PROBLEMS

### Monitoring

The main source of the Treasury's monitoring information is the Financial Information System. This derives its data from two sources: aggregates of departments' payments and receipts provided monthly by the Paymaster General's Office and quarterly returns from departments. In practice, Treasury divisions have encountered difficulty in using the system. The main problems appeared to be -

- i. uncertainty as to the nature of the Treasury's role in monitoring, given that departments are responsible for individual expenditures;
- ii. difficulty in setting up the system and obtaining data from it.

### Supply Estimates

The monitoring base is established when Supply Estimates are agreed. The introduction of the Financial Information System has added to the work of specific divisions at this time, and has been the cause of considerable concern. In the course of investigating this aspect, it became clear that the development of the Public Expenditure Survey and the introduction of cash limits call in question the more traditional procedures for scrutinising Estimates.

## RECOMMENDATIONS

### Monitoring

The scrutiny concludes that the Treasury's supervisory responsibility for expenditure control requires it to take an interest in the progress of expenditure and for this purpose its own source of monitoring information is required.

A number of weaknesses in the Financial Information System are identified and recommendations are made to simplify it and tailor it more closely to individual needs. In addition, divisions are recommended to devote more time to monitoring, and in particular take up with spending departments any divergences of expenditure from plans.



### Supply Estimates

Because expenditure levels for the coming year are effectively determined (in volume terms) during the Public Expenditure Survey, the traditional rigorous scrutiny of Estimates is no longer entirely appropriate and divisions should be encouraged to be more selective. The main tasks will be checking that Estimates are consistent with Survey decisions, where greater use can be made of the computer, and checking revaluation. The latter is identified as an important element in Treasury work, and improvements in procedures are recommended. Generally it is concluded that many of the initial difficulties encountered with the Estimates component of the Financial Information System are being overcome.

### Wider Issues

A number of wider issues are covered -

- i. Specific expenditure divisions should play a greater part, than they have hitherto, in the development of the Financial Information System. Line managers, as well as executive staff, should take part in this.
- ii. Training should be improved, particularly to give a better understanding of the principles of public expenditure planning and control.
- iii. Treasury plans to develop the use of terminals/visual display units should be pursued in order to accelerate the input and output of financial information.
- iv. Departments have encountered problems in providing information to the Treasury because of incompatibilities between systems. As the work is computerised, it will be important to develop a consistent approach: formal central procedures of consultation should be developed to assist in this.



POTENTIAL SAVINGS

Although the need for economy was kept in mind throughout this scrutiny, its prime object was to improve the effectiveness of one part of the arrangements for controlling public expenditure. Hence the benefit from this scrutiny should lie in more effective control of departmental expenditure in-year. A number of simplifications to procedures are recommended but these will be offset by the additional work involved in using monitoring information and developing the system.

COST OF SCRUTINY

£13,180



REVIEW OF THE PROCUREMENT AND MOVEMENT FUNCTIONS OF UKTSD

This scrutiny examined arrangements for procurement in and movement of goods to and from North America, with reference to the need for, and cost, efficiency and effectiveness of the services provided by the United Kingdom Treasury and Supply Delegation (UKTSD) in Washington and New York.

MAGNITUDE/SCOPE OF SCRUTINY

Narrow, focussing on the procurement functions of UKTSD. Chiefly affected were customers - MOD, UKAEA and the Research Councils.

CURRENT SITUATION AND PROBLEMS

UKTSD have two separate functions -

- i. Advising on economic and financial policy ie acting generally as the economic section of the British Embassy in Washington.
- ii. Procurement of United States goods and services on behalf of United Kingdom Government Departments and other public sector bodies.

The origins of ii. are non-statutory and lie in the Marshall Plan period. By avoiding wasteful duplication of effort a central procurement agency offered the opportunity to provide an expert and efficient procurement service. The Treasury acquired this function largely in default of a better claim.

The work involves receiving requisitions from customer Departments; initiating discussions with and receiving quotations from United States' suppliers or government; negotiating, accepting contracts; arranging export licences, customs clearance and freight forwarding (New York Movements Office); handling payments to contractors. These services are free to United Kingdom Government Departments but non-Exchequer bodies are charged. The level of activity varies and reached a peak in 1978 of some 2,000 contracts valued at US \$650 million.

MOD is the predominant user. In 1977-79 it accounted for 86 per cent of the total number of contracts and 99.6 per cent of the total value of contracts signed. These contracts may be either with commercial suppliers or with the



United States Government. For the latter the purchaser must have an accredited representative in the USA - in this case UKTSD. The balance between commercial and government contracts varies but the general trend is towards more commercial contracts which generally involve a great commitment of resources by the Procurement Section. Commercial contracts also tend to be for rather small amounts - in 1979 64 per cent were valued at \$2,000 or less.

MOD contracts generate a requirement for a substantial volume of trans-Atlantic travel by United Kingdom based officials - in 1979 some 6,000 visits by MOD staff were recorded in the British Embassy, Washington. As little as a 12 per cent increase in the volume of this traffic would cancel out savings from the total withdrawal of UKTSD services.

85 per cent of defence equipment purchased is forwarded via the New York Movements Office where shipments are consolidated thus saving upwards of \$1 million a year in freight charges. The New York office running costs are well below those which would be charged by a freight forwarder.

In the Washington office considerable procurement expertise has been accumulated. The majority of staff are locally engaged British subjects with a low turnover rate producing a good quality of staff which is often above that available in the equivalent grade in the United Kingdom. Morale is generally high and the senior staff respected though the physical separation from the senior members of the Delegation engenders some feeling of being "second class citizens". Working practices are very flexible with the junior grades often doing work of a quality well above that normally expected in the United Kingdom. There is some element of duplication of work between defence staff in the United Kingdom and United States based staff and an excessive degree of checking on small value contracts. Charges made to non-Exchequer bodies do not appear to cover the full costs of the services provided.

The Movements Office also employs reasonably good quality staff and is cost effective in relation to staff numbers and the level of throughput. However, the current capacity of the office is coming under increasing strain as a result of the increase in physical volume of shipments. Attention is therefore needed to the level of staffing.



Though UKTSD perform the procurement functions efficiently and effectively and to the general satisfaction of its customers, the present arrangements for the management and control of these activities are unsatisfactory and inappropriate. In particular, UKTSD is essentially a defence procurement agency yet responsibility for the proper and efficient discharge of this important defence function rests with the Treasury rather than MOD.

The Treasury itself is not well placed to exercise detailed control and scrutiny of the UKTSD's supply functions as it has no practical expertise in procurement and has only limited staff inspection and O and M capacity and does not maintain an internal audit team. The present lines of responsibility and accountability are muddled because although UKTSD are formally responsible for procurement decisions, the underlying policy and, in the case of most important contracts, decisions on procurement are taken by MOD rather than UKTSD.

#### RECOMMENDATIONS

##### a. Action

- i. The procurement functions of UKTSD in Washington/New York to remain but responsibility for control and management to be transferred to MOD.
- ii. The existing level of checking of small value contracts be reduced (say only for contracts over \$5,000) and MOD should review their purchasing practices for small value items.
- iii. Charges to the payment customers be increased forthwith, and the work load entailed further examined.
- iv. Guidance notes to all user organisations be prepared and circulated, mostly to clarify the position of agents' fees.

##### b. Further Study

Elements in ii.-iii. plus a review of staffing in the New York Movements Office.



POTENTIAL SAVINGS

a. Absolute

A reduction of £250,000 in the 1981-82 Treasury Estimate. The net change in public expenditure will depend on the extent to which MOD absorb the cost of running the section within existing levels of defence expenditure and on the scale of future improvements in efficiency which they can secure.

b. Proportionate

0-100 per cent, depending on final impact of transfer on the Defence Budget.

COST OF SCRUTINY

£9,370.



## HM TREASURY

### REVIEW OF THE RATING OF GOVERNMENT PROPERTY DEPARTMENT

This scrutiny examined the role, organisation, activities and cost-effectiveness of the Rating of Government Property Department and its relationships to HM Treasury, and considered other possible ways of making payments to local authorities for Crown and Diplomatic properties.

#### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, in a sub-office of 42 people, but a sensitive area for local authorities, especially those with large military/government complexes, and in London also diplomatic missions.

#### CURRENT SITUATION AND PROBLEMS

Historically the Crown is exempt from rates, but has undertaken to make a contribution, in lieu of rates, and valuation for this purpose is made by the Rating of Government Property Department (RGPD). It also recommends valuations for National Health Service (NHS) and non-Exchequer bodies' properties, and pays rates on buildings occupied by diplomatic missions. Thus, there are two phases - valuation and review; and payments on behalf of Exchequer departments, diplomatic missions, and other bodies. The structure of the RGPD reflects these two parts, with the 10 professional valuers working on the first, and administrative civil servants largely on the payment and general back-up. The final decision on a valuation lies with the Treasury Valuer, and there is no appeal from his decision.

As to the scale of the work, the RGPD valuations represent in number 0.7 per cent of all rateable properties, some 4.4 per cent by value. Annual payments on this basis are about £325 million, of which the RGPD itself pays about £200 million. On the 3,700 diplomatic properties, of a rateable value of £10.3 million, the RGPD recovers something over £2 million, and another £18 million on other recoveries.



Rating work is not readily comparable, and RGPD properties are certainly much larger and more complicated than the national average. Nonetheless, as far as work can be measured, the RGPD output, in terms of cases per officer, overheads against service averages, movements in administrative costs, and subjective impressions by the scrutiny officer, is well above average. In particular, no obvious economies could be found, after careful scrutiny, on the basis of the present type and organisation of work. Nor did a simple amalgamation with the Inland Revenue Valuation office offer convincing evidence of increased efficiency.

This led to an examination of fundamental changes. Although the function of valuation was excellently performed it was questionably necessary taking into account the following:

- the change from Rate Support Grant to Block Grant, which meant, broadly, that the total rate income from Government property could be added to total Block Grant which would then automatically distribute it equitably among local authorities;
- the extra-legal and arbitrary character of the Treasury Valuer's operations, although they are conducted scrupulously according to accepted valuation practice and raise little opposition;
- the inconsistent level of many rating valuations in the absence of revaluations since 1973, and the current general discussion about the principles of rating;
- the highly specialised nature of much government property giving rise to unusual (though accepted) methods of valuation;
- the growing tendency towards more efficient operation of Government assets by each cost-centre, suggesting that the unique expertise of Treasury Valuers could be usefully employed elsewhere on the Government estate - notably on the Defence establishment.

Against this background the scrutiny was led to the conclusion that the Government contribution to rates could simply be added to Block Grant. The recovery function, plus some Valuation skills, would continue. This was



not replacing a sophisticated system by a crude one; it was replacing one arbitrary system which was expensive, with another which was cheap. There could however be an adverse reaction from local Authorities, difficulties in convincing them that they will not lose out financially and complications in respect of those authorities who are not eligible from Block grant.

#### RECOMMENDATIONS

a. Action

The RGPD's functions of valuation and payments in lieu of rates should be absorbed into the block grant mechanism; or minor savings, by increasing charges.

b. Further Study

Considerable running-in of the new system would be necessary, during the run-down.

#### POTENTIAL SAVINGS

a. Absolute

32½ staff (£424,944 per annum). Fall back, if main recommendation not accepted, would save only £13,750.

b. Proportionate

82 per cent if main recommendation accepted.

#### COST OF SCRUTINY

£10,233.



## INLAND REVENUE

### PAYE DEDUCTION CARDS

The scrutiny reviewed the issue of PAYE Deduction Cards and considered whether material savings could be made if cards were not issued to employers in cases where employee's tax code would be the same as for the previous year and what consequences this might have for the employer's comprehension of the PAYE deduction system.

### MAGNITUDE/SCOPE OF SCRUTINY

A narrow study but in a labour-intensive area (900 staff) and one affecting nearly 1 million employers and involving the records of 27 million taxpayers.

### CURRENT SITUATION AND PROBLEMS

PAYE Deduction Cards were originally designed for three functions -

- a. Inland Revenue to notify an employer of employee's PAYE Code for the start of the tax year;
- b. a record on which employers could enter weekly or monthly pay records;
- c. a statement of earnings and tax for the employer to send to Inland Revenue at the end of the tax year.

But, since the Card's introduction 37 years ago, the advance of payroll technology has made the last two functions largely otiose, and the use by DHSS of the Deduction Card for National Insurance contribution collection has altered its character. In many instances the card is not used by employers, who send their data separately in computer or other format agreed by Inland Revenue.

The Deduction Cards are issued to employers regardless of whether or not there is a change in the employee's tax code. The proportion of static codes in 1980 was 66 per cent. This proportion is expected to rise considerably in future.



The question was asked: "Why notify the employer of static codes when the employee is not notified?" One of the main reasons for notification was not only must the employer start a new mathematical computation at the beginning of each tax year, he must also act as a vicarious tax official. In order to fulfill that role it was originally, and has always subsequently been thought that he should be equipped with the same authority that a tax official has. The annual notification of all codes was seen as his authority.

The scrutiny concluded that this protective attitude towards employers is increasingly outmoded. Inland Revenue has introduced new procedures in recent years which entailed delegating more authority to the employer eg giving him the authority to amend certain codes. So why not give him the authority to carry forward into a new tax year any code for which he has not received a notification of change? The scope for employers making a mistake has been considerably reduced as, over the years, simplifications in the tax system have reduced the rate of code change and the range of numbers.

Implications of changes in this area on the DHSS were considered. The DHSS are fellow users of Deduction Card information for national insurance contribution purposes, the Card having the employee's National Insurance number. If the Employer is now asked to complete the card it will increase the chance of the NI number being in error causing problems in DHSS in attributing contributions to the right person's record.

The scrutiny also looked at some lesser issues eg the "simplified" deduction scheme available to employers of domestic servants etc whose taxable pay is £160 per month or less. This scheme was considered to be anachronistic and costly to administer.

#### RECOMMENDATIONS

##### a. Action

1. Inland Revenue should cease from 5 April 1981 to issue PAYE Deduction Cards to employers in respect of those employees whose PAYE Codes are unchanged from one tax year to the next.
2. The "simplified" deduction scheme be abolished.



3. Employers be allowed to quote employee's date of birth on Deduction Cards to assist DHSS in the attribution of contributions to appropriate records.

b. Further Study

A further study was begun immediately which recommended the complete abolition of the Deduction Card, the combination of the employer's and employee's code notification and the introduction of new stationery for carrying the old Deduction Card's functions.

POTENTIAL SAVINGS

a. Absolute

300 staff (£1.65 million per annum) plus £50,000 in stationery costs. But additional study identified savings of 400-450 staff units which, when married to this scrutiny would amount to 700-750 staff overall, some £4 million per year.

b. Proportionate

33 per cent from first study and 47 per cent from further study making 80 per cent of present staff effort overall.

COST OF SCRUTINY

£4,665 for first study and £5000 for the further study.



## INLAND REVENUE

### REVIEW OF RATING PROCEDURES

This scrutiny was a study of the statutory procedures employed by the Valuation Office for dealing with appeals against existing rating assessments and for making alterations to the Valuation List. Recommendations were made to streamline and simplify present procedures, which would require appropriate changes to current legislation in order to be implemented.

### MAGNITUDE/SCOPE OF SCRUTINY

Rating legislation is the responsibility of the Department of the Environment. Rating is currently a politically sensitive area, and as the Government are in the process of undertaking a review of the whole rating system, it may be prudent for rates and rating procedures to be considered together. The Home Secretary and the Secretary of State for the Environment would need to consider the timing of any prospective legislation.

### CURRENT SITUATION AND PROBLEMS

There are 174 Valuation Officers in England and Wales who are statutorily responsible for the preparation and maintenance of Valuation Lists for each of the 405 Local Authority rating areas. The VO is personally responsible for ensuring all assessments bear a proper relationship to each other, and to the level of rental values at the appropriate date. Local Authorities levy their general rate based upon assessments appearing in the Valuation List. It is the procedure leading up to an alteration in the Valuation List and the way in which the List is altered which are the subjects of the scrutiny, and not the procedures for preparing a new List, nor the administrative procedures of the Local Valuation Courts.

In theory and statutorily revaluations should be made every five years, but in practice they are undertaken much less frequently. The current Valuation Lists were prepared to come into force on the 1 April 1973. Whilst a new Valuation List is being prepared, the VO remains under a



statutory duty to maintain the old Valuation List then in force. When the new List comes into effect, he will be responsible for maintaining the new List as well as the continuing obligation to deal with outstanding appeals against entries in the old List. Appeals against assessments which cannot be settled by agreement are heard first by the Local Valuation Court, with a right of further appeal to the Lands Tribunal, and on points of law to the Court of Appeal and the House of Lords.

The Valuation List is conclusive as to the value of the hereditaments entered therein and to alter the liability to rates, the List itself must be amended. Generally, this can only be effected by making a "proposal". Proposals can be made by -

- a. Any person (including a Rating Authority) who is aggrieved
  - i. by the inclusion of a hereditament in the List
  - ii. by any value ascribed to a hereditament
  - iii. in the case of a building occupied in parts, by the valuation of that building as a single hereditament
- b. The Valuation Officer - under his duties to maintain a correct List.

In 1979/80 over 130,000 proposals were made by aggrieved persons and over 656,000 proposals were made by Valuation Officers.

Taking Valuation Officer proposals first. Within seven days of making his proposal, and before the valuation list is altered, the VO must send a copy to the Rating Authority and occupier, and in the case of a vacant hereditament a copy must be sent to the owner. These parties have 28 days to make a written objection. If the proposal is not withdrawn or all parties cannot agree, the Valuation Officer transmits copies of the documents to the Local Valuation Court, within four months from the date of the proposal, and the relevant parties then notified. An appeal is thereby constituted.

With regard to aggrieved person's proposals, the VO must send a copy to the Rating Authority and occupier within 28 days of receipt of the proposal. The VO may object to the proposal within three months, and the other parties may do so within 28 days. Copies of Rating Authorities' and



occupiers' objections are sent to the maker of the proposal by the VO within 28 days of its receipt. If the proposal is not withdrawn or agreement cannot be reached between the parties, then copies of documents are sent to the Court as described above, thereby constituting an appeal.

The Rating Authority, like the VO, is always an interested party and has the right to receive copies of all proposals, to object, and to appear in Court without notice and take part in proceedings. But LAs may contract out of these rights and about one-third have in fact done so.

Alterations to the Valuation List are made by the VO by the manual preparation of schedules which are incorporated into the List, and which show new and altered entries. A few Local Authorities prepare these schedules for the VO by computer on a fee-charging agency basis. Annual statistical analyses of the Valuation List are prepared manually by Valuation Officers showing the numbers and rateable values of all hereditaments shown in the Valuation List, although there are in fact three Local Authorities who provide computer facilities for this purpose.

The cost to the Valuation Office of operating the current rating procedures amounts to about £8.25 million per annum and involves about 1,400 staff.

#### RECOMMENDATIONS

##### Action

1. Replace the Valuation Officer proposal system (b. above) by a simplified system under which the VO instructs the Rating Authority to amend the Valuation List first and the rateable occupier is then notified on a rate demand of the new List entry and the rates due. Then they may challenge the new entry, and any unresolved challenge is automatically converted to an appeal to the Local Valuation Court after a set period.



2. Replace the aggrieved person proposal system (a. above) by a simplified system under which an aggrieved person would have the right to make a challenge against an entry in the Valuation List but, if unresolved, this would automatically be converted to an appeal to the Local Valuation Court after a set period.
3. Restrict the rights of Rating Authorities to be parties to all appeals so that they can only challenge an entry in a Valuation List in the same way as any other aggrieved person. This would permit the speedier disposal of appeals.
4. Streamline the statutory "direction" procedures for altering the Valuation List by reducing the size and restricting the contents of direction schedules, whereby they are issued to the Rating Authority more frequently than at present, and on the basis of one for each hereditament.
5. Checking the totals of rateable values in the Valuation List by Valuation Officers **should** cease.

In order to implement the recommendations set out at 1 - 5 above, legislation would be required. But the new "challenge" procedure allied to the abolition of the Valuation Officer proposals would bring benefits to ratepayers in the form of a simpler and more intelligible appeal system without eroding their rights to challenge an assessment at any time.

The report also contains eight subordinate recommendations which do not require legislation. These mostly concern office procedures and stationery, and may be implemented independently of the main recommendations. The main subordinate recommendation is for the transfer to Rating Authorities of the responsibility for preparation of statistical analyses of the Valuation List currently carried out manually by the VO. Rating authorities who already hold the bulk of the information on their computer files could undertake this operation more efficiently.



POTENTIAL SAVINGS

a. Absolute

If both main and subordinate agreed, 300 staff, which together with stationery and postage, amounts to £1.9 million per annum.

If only subordinate, 30 staff, or £0.2 million per annum.

b. Proportionate

Together, 23 per cent; subordinate only 2 per cent.

COST OF SCRUTINY

£7,318.



## INLAND REVENUE

### ACCOUNTS REGISTERS IN TAX DISTRICTS

This scrutiny reviewed the use of Accounts Registers kept in Tax Districts, considered whether income and corporation tax registers could be abolished and asked if any substitute records were necessary.

### MAGNITUDE/SCOPE OF SCRUTINY

Small and self-contained. Approx 197 staff are involved mainly at CA level at a cost of just under £1 million.

### CURRENT SITUATION AND PROBLEMS

The starting point for computing the taxable profit of a business is the net profit shown by the business accounts. A register sheet is kept for each business in the district to record the receipt of the accounts, and the settlement of the liability when they had been examined and agreed. A running total of the accounts received and settled each tax year is kept and each month statistical returns are made to higher management. The Registers do not therefore directly affect the work of tax districts but are kept to provide management statistics regarding the progress of accounts work.

The maintenance of the Registers are a cumbersome procedure and mistakes are often made in recording the running totals which are expensive to find and correct. The scrutiny revealed that they did not provide information which was sufficiently relevant to the current system of accounts examination, introduced in 1977.

### RECOMMENDATIONS

#### a. Action

1. Abolish the Accounts Registers.
2. Provide alternative statistics from personal records of accounts work already kept by Inspectors for other purposes. This would better monitor the current examination by IR of accounts.

#### b. Further Study

None.



POTENTIAL SAVINGS

a. Absolute

190 staff at a cost of £0.97 million pa.

b. Proportionate

97 per cent.

COST OF SCRUTINY

£4500.



## CUSTOMS AND EXCISE/INLAND REVENUE

### A CENTRAL UNIT FOR INSOLVENT TAXPAYERS

This scrutiny examined the case for a Central Unit to be set up to serve both Customs and Excise and Inland Revenue in their dealings with insolvent taxpayers, and be more cost-effective than existing separate arrangements.

### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, but in an area where recovery costs amount to £2.1 million in total, and monies recovered about £28.2 million annually.

### CURRENT SITUATION AND PROBLEMS

The two Departments have at present separate organisations to deal with their interests in either personal or company insolvencies, both compulsory and voluntary, including those who have offered Schemes or Deeds of Arrangement. They claim either preferential or non-preferential debts. For C & E the preferential debt includes VAT, car tax, duties on betting for the twelve month period up to the relevant date. For Inland Revenue it includes PAYE deducted from employees wages etc for the twelve months up to the relevant date, and one year's assessed tax debt. Other debts are non-preferential. Both Departments share the same general purpose in recovering what they are able from the debts claimed to the Receiver, or other liquidator. However, the Departments differ in the way they handle insolvencies.

Inland Revenue has a central Insolvency Section at Worthing, and similar ones in Edinburgh and Belfast for Scotland and Northern Ireland respectively. The total number of cases averages 13,000 in England and Wales, 400 in Scotland and 100 in Northern Ireland. About 3,000 case files per annum are opened at Worthing. Only about 12 per cent of insolvency administrations are closed within a year, 46 per cent take more than 2 years and 11 per cent more than 5 years. The total cost in collecting effort is £1.3 million per annum (184 man years) and recoveries amount to about £20 million per annum. Work is done in collaboration with the local Tax Inspectors and Collectors to work out the final liabilities due, and whether preferential. These latter also separately lodge claims for cases not handled at Worthing. There are many types of tax



involved, some of which are self-assessed, and others which, like PAYE can be checked readily. Hence there is often a period when several claims are under review but on different timescales. There are also discretionary decisions of whether to guarantee the costs of a liquidator who can only recover money through legal proceedings.

Customs and Excise cases almost all involve VAT and are dealt with at Bootle - local office action is very limited. Over 8,000 cases are opened each year for the United Kingdom. In 1979-80 5,400 claims were lodged totalling £21.1 million, and recoveries amounted to £8.2 million. A few other non-VAT debts are dealt with at Southend - only about £11,000 per annum. Some 99 man years effort is spent on insolvency work at a cost of £0.8 million per annum.

The Central Insolvency Branch of Customs and Excise deals with VAT-registered traders, and notified insolvencies are computer checked to establish whether the person is registered, and any repayments in tax due are stopped at that stage. A claim is lodged with the liquidators, and any monies owed by C & E set off if necessary against Crown Debts in other Departments. The trader is deregistered, but this can take more than 2 years. There are also discretionary judgements on whether or not to support legal proceedings.

The establishment of a Central Unit for Inland Revenue and Customs and Excise to cover all these different procedures could take many forms. At one extreme the Central Unit could be responsible for only those procedures common to both departments but economies would be minimal, and add an organisational tier serving mainly as a 'post box'. At the other extreme all work could be amalgamated. There would be serious disadvantages however, especially in the use of each Department's technical knowledge for the finalisation of claims. Also legislation would be required, and any economies offset by increases in staff to overcome organisational and communications problems. An option between these extremes is one in which the Central Unit would lodge a central Exchequer claim and recover dividends, write off irrecoverable debts etc, and take decisions on legal proceedings. Although this would improve co-ordination the economies would be relatively small at £46,000 basic staff costs.



The Scrutiny concluded that the savings were not worthwhile given the need for legislation and the upheaval that would be involved.

The scrutiny went on to consider the procedures in both departments. Scope was found for simplification leading to worthwhile economies and increased speed with which cases are handled.

#### RECOMMENDATIONS

##### a. Action

##### 1. Inland Revenue:

- i. Finalisation of assessed liabilities should not be undertaken if the result is likely not to yield additional revenue. Further assessments could be made at the discretion of the Inspectors regardless of yield. Though there are dangers, a sample of 1978-79 HQ cases showed 80 per cent of the work in the assessment of contingent liabilities was not worthwhile. The claim should be restricted to the assessed liabilities due at the relevant date and no effort normally to be made to assess contingent liability.
- ii. split PAYE liabilities between preferential and non-preferential on a pro-rata basis.

##### 2. Customs and Excise:

- i. increased computerisation to further reduce manual intervention in determining VAT debts and processing claims,
- ii. de-registration of a Trader where his assets are estimated to have a value less than the VAT threshold, and increase the waiver for payment of tax. Legislation.

##### b. Further Study

These Departments should consider the sponsorship of a study to examine early exchange of information about traders whose payments may be at risk, and whose debts to the Crown might be more quickly recovered.



POTENTIAL SAVINGS

a. Absolute

Inland Revenue: £226,438

Customs and Excise: £149,186

Total Savings £375,624

b. Proportionate

17 per cent of Inland Revenue and Customs and Excise costs.

COST OF SCRUTINY

£17,450



## CUSTOMS AND EXCISE

### CONTROL OF DISTILLERIES AND ASSOCIATED WAREHOUSES

This scrutiny reviewed the revenue control of the production and associated warehousing of spirits.

#### MAGNITUDE/SCOPE OF SCRUTINY

Discrete area involving a very large amount of revenue, and employing 563 staff at a cost of £3.5 million per annum.

#### CURRENT SITUATION AND PROBLEMS

The present system of revenue control places great reliance on physical security and official record-keeping, with direct supervision of distilleries and their warehouses by Customs and Excise officers. Very little reliance is placed on the distillers. Plain spirits intended for human consumption must be kept for at least 3 years and many whiskies are matured considerably longer; the quantity held in bonded warehouses is about 3,000 million litres. Not all spirits produced in the United Kingdom are consumed as beverages. Some are subsequently denatured and used for industrial purposes when no duty is payable. In addition, spirits intended for export are part of the huge quantity of alcohol under revenue control. In 1978/79 about 82 million litres of alcohol were supplied to the home market for beverage use, of which 54 million litres were whisky; by comparison 250 million litres of whisky were exported. Thus there is a large amount of alcohol on which duty is not levied but which must be controlled to protect the revenue.

The framework for control procedures is specified in legislation. Duty is payable when spirits are removed from a warehouse for home use as beverages, either as whisky, or redistilled/mixed with other substances to become gin, vodka etc.

The main function of Customs and Excise controls is to prevent spirits finding their way onto the home market without payment of duty. Each litre of alcohol stolen costs the government £11.87 in lost duty, but the manufacturer only



about £1. Each year about 2 per cent of whisky spirit is lost naturally from casks maturing in a warehouse. Thus, total natural losses are equivalent to the total volume of annual retail sales of whisky in the United Kingdom. There is scope for using evaporation losses to mask abstraction of spirits from cask. Various stages in the manufacturing process involve operational losses which might similarly be used to conceal abstraction. Some pilfering certainly takes place, and reduced controls would increase the opportunity.

On the other hand distillery and warehouse managements exercise firm control, in the interests of health and safety, and productivity, and often stock records are effectively cross checked by a third party, for example a bottling company. Pilfering for personal consumption is not at a high level. But a major risk occurs when spirits are emptied from casks to a tank wagon for removal in bulk, or when casks are removed from one warehouse to another.

Despite the magnitude of the potential duty risk the report concludes that in the past the Department may have erred on the side of caution especially insofar as control of distillery plant is concerned.

#### RECOMMENDATIONS

##### a. Action

1. A number of the control procedures at distilleries and warehouses should be operated by distillers and monitored by Customs and Excise.
2. To avoid jeopardising the revenue, while achieving staff savings, legislation will need to be amended to give Customs and Excise greater powers to examine distillers' records, and prescribe conditions for the manufacturing and warehousing of spirits.
3. A new system of stock accounting should be established, based on traders' records.
4. Distillers should be urged to adopt the practice of using wooden bungs instead of corks for casks and gate control systems should be adopted more widely where there are perimeter fences, providing better revenue safeguards.



b. Further Study

Detailed assessment of the position at each distillery/warehouse will be required to see how the recommendations can be applied. Detailed staffing proposals will need to be prepared.

POTENTIAL SAVINGS

a. Absolute

Reduction in staff of 120 "in the long term" - £0.9 million per annum.

b. Proportionate

25 per cent.

COST OF SCRUTINY

£28,655.



## DEPARTMENT FOR NATIONAL SAVINGS

### COMPUTERISATION OF PREMIUM SAVINGS BONDS

This scrutiny reviewed the conversion of Premium Savings Bonds to computer working, an operation begun in 1976, and due for completion in 1984. It sought to recommend the pace of conversion that should be adopted to see the project economically through to completion, so as to ensure maximum economy and efficiency in running the Premium Bonds scheme as a whole .

### MAGNITUDE/SCOPE OF SCRUTINY

Very narrow and entirely Departmental.

### CURRENT SITUATION AND PROBLEMS

The Premium Bonds scheme was launched in 1956 with manual records at Lytham St Annes. The scheme grew increasingly popular, with proportionate increases in manpower and accommodation. Two sets of records were maintained, a file in alphabetical order of purchasers' names and another in bond number order. There was no unique holder's number under which to group each person's purchase records. There are currently 120 million bond purchase records in the names of some 25 million holders.

It was estimated that conversion to a computer system based on the issue of holders' numbers would yield staff savings of 700 with possible additional savings if the scheme continued to grow in popularity.

Completion of conversion, originally planned for 1980, has slipped to April 1984, thus delaying the full realisation of savings envisaged. At the end of 1979, the cost of completing conversion, by then at a level of penetration of 37 per cent, was £7.5 million, of which £7 million represented discounted staff costs. In May 1980, by which time the scrutiny review of the conversion procedures and workflow organisation had been carried out, the level of penetration had reached 41 per cent. The procedures were found to be working well.

The conversion affects all work areas of the Premium Bond Office and a high degree of coordination and control is essential to ensure that the programme progresses smoothly across a wide front. Of the 560 staff employed on conversion,



no fewer than 176 are engaged in dealing with queries generated as a result of sending out holders' cards - change of registration particulars, holders found to be deceased, lost bonds, split holdings, etc. These queries, which would normally have come to light over the years, have arisen in a concentrated time-span because of the conversion operation.

At the basic level, monitoring of progress and reassessment of the timetable to take account of problems etc is the responsibility of an ADP Systems Group working in close liaison with the heads of the operational branches. The number of holdings input to the computer per day in the conversion workstream is the yardstick used to measure the conversion penetration rate. The coordination and control structure was seen to be working efficiently and effectively.

The programme of conversion fell behind drastically because of

- a 1977 manpower ceiling imposed;
- b lengthy industrial action 1979;
- c protracted recovery from the latter combined with the effects of the 3 per cent expenditure reduction and recruitment ban.

For a number of reasons (eg staff displacement in the interim for reasons other than the introduction of computer working such as the effect on workloads of changes in the terms and conditions of Premium Bonds) the original estimate of 700 staff saving from computerisation has been reduced to 310.

The extent to which the computerisation programme might be advanced needs to take into account such factors as: recruitment and training of the conversion force; physical constraints of accommodation and data preparation equipment; a rate of run-down of the conversion force which avoids the unwelcome problems of redundancy.

#### RECOMMENDATION

a. Action

That the present timetable for conversion be compressed by 6 months to enable the operation to be completed by October 1983.

b. Further Study

None.



POTENTIAL SAVINGS

a. Absolute

None additional to those already foreseen. Bringing these savings forward by 6 months could actually cost money. But offers benefits by way of increased flexibility of system, cessation of troublesome dual system working and a capacity to more economically handle any increase in business.

b. Proportionate

As with a. above.

COST OF SCRUTINY

£5,000



## DEPARTMENT OF INDUSTRY

### THE ADMINISTRATION OF THE REGIONAL DEVELOPMENT GRANT SCHEME

This scrutiny set out to examine the administration of the Regional Development Grant Scheme (RDGS) by the four Regional Development Grant Offices (RDGOs) and the HQ branch of Regional Policy and Development Grants Division, Department of Industry. The aim was to seek ways of making the administration more efficient, to question any activities not needed at all or better done in other ways, including the question of standardisation of working methods and procedures, and, taking recent Organisation and Method, Internal Audit and Staff Inspection work into account, to make recommendations.

#### MAGNITUDE/SCOPE OF SCRUTINY

A significant scrutiny with wider implications and general lessons for improving efficiency in the Service.

#### CURRENT SITUATION AND PROBLEMS

The RDGS under Part 1 of the Industry Act 1972 is the principal instrument of regional industrial policy in the United Kingdom, forming 77 per cent of the Department of Industry's expenditure on regional industrial support 1978-79. The grants are paid now at a rate of 22 per cent for expenditure on plant and buildings in Special Development Areas and 15 per cent in Development Areas. These grants reflect changes from 1 August 1980. Intermediate areas no longer qualify and the overall size and grading of Assisted Areas has been reduced. The objective is to stimulate industrial development and modernisation in these Areas, thereby generating secure employment.

In 1979-80 nearly 40,000 applications for grant were received and grant payments approved totalled £440 million. The scheme cost £4.5 million to administer, involving 550 staff, though recent changes to the scheme will bring staff numbers down to 450 by 1983.

The RDGS is administered by HQ and four Regional Offices - Cardiff, Bootle, Billingham and Glasgow. The key feature of the scheme is the concept of qualifying premises as defined in the Industry Act. Once eligible, the manufacturing concern may claim a grant even though the asset concerned may not be directly used in the qualifying activities. It must then be used for 4 years



on the qualifying premises.

The rules governing eligible expenditure have become very detailed and complex over time often covering situations that have occurred once and may never occur again. Examination Officers have very little discretion. The application forms and conditions are in some instances confusing causing irritation to the applicant and unnecessary work in the Operating Units. There is excessive checking where the benefits are questionable in relation to the costs. There has been inadequate computerisation in the areas of record keeping and statistics production. There appeared to be duplication of work between different sections within the Offices (eg in some of the checking and control systems) and generally much scope for standardisation and simplification in the administration of the scheme.

The scrutiny concentrated on the Examination Units, where 65 per cent of the RDGO staff are employed. The study assumed the policy framework throughout.

#### RECOMMENDATIONS

a. Action

1. Standardisation of procedures between RDGO's and avoidance of duplication between units and between grades.

This work begun by the 1979 Audit and Inspection Team and rewriting of the RDG Instruction Manual begun but postponed. Essential this be completed, and standardised. Especially treatment of outstanding applications, and procedures for part payments.

Elimination of duplication of work within a RDGO in

- a. checks before grant is paid, and
- b. the follow-up to inspection visits.

and elimination of duplication of work by EO's and CO's, and in the supervision of examination unit work.

2. Redesign and simplify application form.
3. Greater discretion to be given to Examination Officers in selection for examination of applications, in selection for local audit, in testing eligibility. Depth of scrutiny to be appropriate to the risks involved. More qualification work to be undertaken by CO's.



4. Tightening of inspection work, especially when irregularities discovered, and no reduction in number of inspectors when size of Assisted Areas reduces. Recovery work to be streamlined, and work on bankruptcies and liquidations to be handled centrally in each RDGO. Delegation to RDGO Directors of limited write-off powers and instalment arrangements.
5. Computerisation of records and introduction of blind automatic typewriters.
6. Better staff management and deployment of resources, including a three week training course, job enrichment programme for CO's and CA's, and accountants to be integrated into RDGO structure.
7. House Glasgow RDGO in one building as soon as possible.

b. Further Study

1. Proper complementing exercise once implementation of these recommendations tested in practice. To include whether structure of 4 RDGO's remain, or be reduced.
2. Desirable to study further abolition of payments on defrayed expenditure, control of inflow of applications as alternative to deferred payment of grant, payment of grant to BSC and other public bodies.

POTENTIAL SAVINGS

a. Absolute

ESTIMATED saving of 80-110 staff (£525,000-£725,000 per annum) but once for all cost of computerisation and typewriters of £150,000.

b. Proportionate

15-20 per cent of staff.

COST OF SCRUTINY

£17,740



## PAYMASTER GENERAL'S OFFICE

### WORKING RELATIONSHIP BETWEEN PGO AND THE BANKS

This scrutiny fell into two parts: the first to pursue the feasibility and benefit of the Bank of England's proposal that their Debit Clearing Agency Computer Systems be utilised to provide a more efficient method of handling payment transactions between the banks and PGO; the second to examine the present method of handling payment transactions between the banks and PGO's London Office, and decide whether any cost benefit could be obtained from the Bank of England carrying out this work before the above first proposal was able to come into operation.

### SCOPE/MAGNITUDE OF SCRUTINY

Narrow, but scale of PGO banking operations vast - currently 30 million payable orders per year are issued and drawn on PGO, of which 9 million are issued by the PGO itself. Inland Revenue and Customs and Excise provide their own banking services. Cost of handling payment transactions between banks and PGO is about £81,000 (total costs including accommodation).

### CURRENT SITUATION AND PROBLEMS

The PGO acts as Banker for nearly all government Departments, mostly paying out on their behalf. Clearing Banks sort the payable orders and these are taken daily to the PGO's bank caller office in The City. The presenting bank obtains instant credit, via the Bank of England. Any subsequently disallowed items are reflected as debits to individual banks' accounts there.

In late 1979 the Bank of England offered PGO a scheme under which the Clearing Banks would lodge payable orders direct with the Bank of England who would act as agents for PGO and process them and send to Crawley relevant tapes and the orders themselves - ie to act as a Debit Clearing Agency with full approval of the Clearing Banks. But this could not be operational before 1982.

Hence, PGO suggested consideration of the Bank acting as PGO's London collecting agent in the meantime, without engaging the proposed computer processing, in order to effect immediate economies.



## RECOMMENDATIONS

### a. Action

The acceptance of the Debit Clearing Agency proposal is thought sound and capable of yielding staff and cost benefits for PGO provided some unresolved problems can be overcome, and the Bank's charges taken into account and found reasonable.

2. Bank of England confirmed it was able and willing to take on all clearing agency work specified by PGO, with agreed modifications. As a result, the London office of the PGO could be closed.

### b. Further Study

Recommendation 1. above requires further work to establish the exact feasibility and costs to be offset against the benefits.

## POTENTIAL SAVINGS

### a. Absolute

On the first recommendation, impossible as yet to quantify, but fewer computer programs, some staff reductions, potential savings in computer hardware.

On the second, £37,000 per annum -  $3\frac{1}{2}$  posts - (and savings for PSA).

### b. Proportionate

The second represents 46 per cent of staff effort in London.

## COST OF SCRUTINY

£6,662.



## CIVIL SERVICE DEPARTMENT

### REVIEW OF THE TECHNICAL SERVICES ORGANISATION OF CCTA

This scrutiny reviewed the objectives, role and organisation and staffing of the Technical Services Organisation (TS) of the Central Computer and Telecommunications Agency (CCTA), the organisation responsible for the provision of technical support and advice on all aspects of computers and associated equipment.

### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, but affecting a significant area of essential Departmental/Government expenditure - £290 million on computers, £190 million telecommunications, and £10 million on office equipment. The total cost of TS itself is £6.36 million per annum, and the number of approved posts is 224.

### CURRENT SITUATION AND PROBLEMS

TS activity covers a wide range of roles. It supports the CCTA in procurement and management of government computer, telecommunications and office equipment facilities. It also provides advisory, consultancy and support services on a wide range of areas including software packages, computer reliability, environmental services, acceptance trialling of computers, appraisal activity and supports procurement for non-central government bodies such as government agencies and Universities.

Computerisation of government activity is increasingly a cost-effective solution with constantly expanding possibilities due to the rapid development of computer science and the convergence of computer, telecommunications and office technology.

Special features of Government computer activity include a GATT requirement from 1 January 1981 to open tender for large and medium computers; CCTA to be repaid for procurement, and departments to be delegated responsibility for acquisition of computers, within agreed limits. There is a wide variation among Departments in their technical abilities and skills of usage.



In addition there are three major constraints within Government computer activity:

- a. present procurement policy has led to government having a main supplier company with considerable technical problems in launching and supporting its current range of equipment; hence, too much attention has been paid to the reliability of the equipment;
- b. acute shortage of good skilled staff;
- c. some difficulty in distinguishing the boundaries of TS work vis a vis CCTA and Departments.

This last point is of crucial importance, since TS is expected to provide support to an extensive range of 'customers' across a complex spectrum of technology that is itself continually changing. A clear definition of TS objectives and a clear appreciation of TS basic operating principles is crucial.

The guiding principles should stem from the basic CCTA objective - of improving the utilisation of computing and telecommunications within government. They should be three:

- i. to fulfil all mandatory commitments, eg on procurement
- ii. to increase, where possible, Departmental self-sufficiency, especially in operational areas;
- iii. to devote all necessary effort to defining generally applicable policies or practices where these are required and to support them adequately.

#### RECOMMENDATIONS

##### a. Action

1. Redefinition of TS objectives and creation of a branch to support technical policy definition.



2. Reorganisation of TS based on major functions to perform, in particular:

- i. increase TS central capability to support Departments in areas of data base systems, office automation and 'task force' activities;
- ii. increase TS resources on analysis of telecommunications information;
- iii. recommendations in telecommunications area to achieve tangible savings, mostly acceleration of existing work on GTN and Federal systems;
- iv. change of emphasis and effort in several areas, eg networks and data base, so that TS takes less of a product-oriented approach and concentrates more on support for full range of project development;
- v. reduce work on appraisal and acceptance trialling;
- vi. transfer of environment services support to PSA;
- vii. withdrawal of TS involvement in Department's operational management, for which latter should assume responsibility, with only occasional TS advice on peripherals, reliability, software packages;
- viii. cease support to procurement for non-government organisations apart from Government Agencies.

3. Firm management direction and support to be given to TS activities.

4. Number of posts to be brought in line with residual workload (ie 224 reduced to 188) and TS in future to achieve adequate staffing by a variety of approaches.



- b. Further Study
1. Department of Industry's relationship with TS to be formalised, duplication avoided, and the 1972 concordat reviewed.
  2. Review validity of continuing contractual work by CT(PC) division for non-government organisations.
  3. Examine Treasury's method of revaluing expenditure in Supply Estimate for purchase of computer equipment.
  4. Keep under review effects on TS of delegation to Departments; new GATT policy and any other safety responsibilities.
  5. Initiate a project for TS to examine the feasibility of a government data communications network.
  6. Review operation of the Workload Management Scheme and implement a revised system for resource allocation and control.
  7. Consider advantages of extending Remote Table facilities.
  8. Review need for a further 10 specialist consultancy posts.
  9. Review scope of work in computer security.
  10. CCTA should review overall procedures for supporting and leasing with Departments.

POTENTIAL SAVINGS

a. Absolute

£737,960 per annum - 36 staff from overall number of approved posts of 224



Plus

About £12 million per annum if acceleration of telecommunications network goes ahead and £265,000 per annum for bringing work in-house and speedier abolition or replacement of existing facilities.

Also, if some "further study" work undertaken in analyst and programmer productivity, potential for several million pounds more.

b. Proportionate

Savings on potential staff loss from number of approved posts would be 11 per cent.

COST OF SCRUTINY

£44,161.



DEPARTMENT OF EMPLOYMENT/DEPARTMENT OF HEALTH AND SOCIAL SECURITY

THE PAYMENT OF BENEFITS TO THE UNEMPLOYED

This scrutiny spanned two Departments and examined the payment of benefits to the unemployed with a view to improving administrative efficiency and simplifying the system for both claimants and staff. The report makes 81 recommendations ranging from minor procedural improvements to major changes in policy and administration.

MAGNITUDE/SCOPE OF SCRUTINY

On average during 1979/80 1.3 million people were registered as unemployed. Two benefits, unemployment benefit and supplementary allowance, and three networks of local offices, Unemployment Benefit offices run by DE, Social Security offices run by DHSS and Jobcentres run by MSC, are involved in the benefit system.

Altogether some 40,000 staff were engaged in 1979/80 in administering the benefits and in providing Jobcentre services. In the same year around £1,350 million was paid out in benefits with approximate administration costs of £240 million.

CURRENT SITUATION PROBLEMS

In setting up the scrutiny the two Departments had particularly in mind the difficulties and complications which have grown up in the system for paying benefits to the unemployed. Particular concerns were the need for most claimants to visit 3 different offices at the start of a spell of unemployment, the apparent duplication of work between these offices, the large flows of paperwork involved and the complexity of instructions to local office staff. Overlaid on this was the increasing number of unemployed people with whom the system was having to cope and the fact that an ever larger number of them were reliant on means tested supplementary allowance either because contributory unemployment benefit was not payable or was simply not enough.



## RECOMMENDATIONS

The report's recommendations can be separated into two groups. The bulk concern improvements to existing procedures, some of which the team found to be unwieldy and costly and in a few cases unnecessary. For example, the report highlights a procedure for recovering overpayments which cost more to administer than it was recovering and a set of forms being sent from one office to another but piling up there in cupboards because the receiving offices had no instructions on how to deal with them.

The major recommendations concern -

Registration for work - At present an unemployed person who wishes to claim benefit has to register for work at a Jobcentre. The report found that registration was not in fact an effective means of ensuring that claimants were genuinely seeking work, and also that both the Jobcentre and the claimant's time was being wasted in the many cases where the claimant did not want the Jobcentre's help to find a job. It therefore recommends that registration by the unemployed at Jobcentres should be voluntary but accompanied by tougher tests elsewhere in the system on whether the claimant is really available and looking for work.

Fraud - The report estimates on such data as is available that the minimum level of unemployed claimants who are fraudulent (ie working whilst drawing benefit) is 8 per cent. It recommends an exercise to measure the incidence of such fraud more accurately and also 750 more fraud investigators employed on special fraud drives to combat this abuse. It is estimated that this would produce a net saving of £24 million.

One Office - The team recommends dealing with benefit claims from all unemployed people in one office by moving supplementary allowance work for this group out of Social Security offices into Unemployment Benefit Offices. The report estimates that the necessary premises changes would cost between £50 and £90 million to achieve but that the move would save about 2,600 staff with annual savings of £7 to £11 million. The time scale for implementation is put at between 5 and 10 years.



POTENTIAL SAVINGS

a. Absolute

The team considered that full implementation of their recommendations would save around 5,000 staff. Overall annual savings would be between £75 million and £80 million including savings on both administration and benefit.

b. Proportionate

12 per cent of staff.

COST OF SCRUTINY

Approximately £120,000.



## MANPOWER SERVICES COMMISSION

### REVIEW OF THE TRAINING SERVICES DIVISION (TSD) ORGANISATION

The scrutiny examined the management structure of the Training Services Division (TSD) of the Manpower Services Commission and its relationship with other MSC Divisions. It recommended important changes to enable MSC's training programmes to be delivered cost-effectively in the circumstances of the 1980s.

### MAGNITUDE/SCOPE OF SCRUTINY

The Training Services Division employs 8,425 staff (as at 1.4.80). Its staff costs (1980-81) are £61.8 million and its total budget £357.6 million. The Special Programmes Division (SPD) (which the report recommends should eventually be merged with TSD) employs 1,250 staff; has staff costs of £8.8 million and a total budget of £209.2 million. The report concentrates on the headquarters organisation of TSD and SPD which has 85 posts at Principal level and above.

### CURRENT SITUATION AND PROBLEMS

Two major assumptions were made about policy -

- a. MSC's relationship with industry training organisations would change following the Review of the Employment and Training Act (RETA) 1980 and the Secretary of State's subsequent announcement that the operating costs of the Industrial Training Boards (ITBs) should be borne by industry. MSC would concentrate on meeting national training needs leaving industry training organisations to meet particular industries' needs without detailed control.
- b. The proposal in the New Training Initiative (NTI) being developed by MSC that all young people should come to be regarded as "trainees" and the steps being taken to reinforce the training content of the Youth Opportunities Programme (YOP) would lead to MSC seeking as a major aim to secure more systematic vocational preparation and training for young people and doing so through YOP as well as TSD schemes for employed young people.



Account was also taken of the Secretary of State's announcement of a review of industry training arrangements sector by sector and of the Government's view that reliance on voluntary arrangements should be extended.

#### Current Organisation of TSD

TSD is currently organised into 3 Directorates responsible respectively for training within industry, the Training Opportunities Scheme for unemployed adults or those changing jobs, and general training development and research. Its regional and district organisation reports solely to the Training Opportunities Directorate. Each Directorate has developed for its particular purpose policy sections, planning systems, and information and delivery systems. Training Opportunities Directorate has its own training development sections.

The review concluded that the current structure made it hard to concert action through TOPS, training with industry, and research and development work to tackle national and local problems. The distribution of the great bulk of staff responsible for training within industry into teams dealing with individual industry training organisations inhibited active and coherent pursuit of solutions to problems affecting several industries. Insufficient resources had also been devoted to evaluating effectiveness of action, particularly on training within industry, and the distribution among different Directorates of staff responsible for manpower intelligence and training development led to inefficiency.

#### Current Position of TSD within MSC

TSD is one of three MSC operating divisions. The others are the Employment Services Division (ESD) which operates the public employment service and the Special Programmes Division (SPD) which administers the Youth Opportunities Programme (YOP) for unemployed young people and the Community Enterprise Programme (CEP) for unemployed adults. Each has a separate field network, and MSC's chief regional representative, the Regional Manpower Services Director (RMSD), has line control only of the SPD network, though charged with co-ordinating all MSC regional activity through a Regional Manpower Services Board.



The creation within MSC of a separate SPD, with its own regional network, had been designed to ensure adequate attention to a distinct task - mounting emergency programmes to alleviate youth unemployment. However, the review concluded that as YOP's training role expanded and the New Training Initiative was carried forward, the distinction between TSD's and SPD's tasks, never absolute, would become increasingly blurred. The resource costs and confusion for outside interests flowing from separation would increase.

#### RECOMMENDATIONS

A total of 40 recommendations were made covering organisational changes and related matters (eg staff training). Of these the major ones were -

- a. The creation of a new division (TSPD) responsible for TSD work and SPD youth work. Both Head Offices and regional and area networks would be merged, the latter under the Regional Manpower Services Director. Various factors including dispersal of MSC to Sheffield were held to preclude merger before 1 January 1983 and both a TSPD organisation and an interim TSD organisation (fully effective from 1 April 1982) were specified. The location of SPD's work for adults was left open as between TSPD and ESD.
- b. For both TSD (interim) and TSPD -
  - i. The creation of a general divisional policy branch and an associated economic and statistical services branch so as strongly to reinforce capacity to devise a coherent general policy framework, to make considered allocations of resources and to evaluate programmes.
  - ii. The creation of programme development branches (incorporating training development sections) charged with actively designing programmes to solve national problems and with helping secure coherent and effective delivery, using all delivery mechanisms.
  - iii. A greatly enhanced role for regions in designing and delivering programmes to meet local needs.



The current 3-Directorate structure of TSD would be dismantled. Branches would however be retained to deal with general relations with industry training organisations, regional management and training research and development support of a general nature.

POTENTIAL SAVINGS

The review examined only posts at Principal level and above. The table below shows changes for both TSPD and TSD interim at Head Office -

a. Absolute

Head Office Savings at Principal level and Above

	<u>No of Posts</u>	<u>Staff Costs</u>
TSD	13	£469,299
TSPD	14	£509,996

b. Proportionate

Head Office Savings at Principal level and Above

	<u>% of current cadre</u>	<u>% of staff costs</u>
TSD	19.1%	19.5%
TSPD	16.5%	17.2%

COST OF SCRUTINY

£30,189.



## HEALTH AND SAFETY EXECUTIVE

### PROBLEMS OF ASSESSING THE COSTS AND BENEFITS OF HEALTH AND SAFETY REQUIREMENTS

This scrutiny had the objective of formulating methods and practices for the internal assessment of the costs and benefits of Health and Safety Executive's (HSE) regulatory activities. It looked particularly at cost-benefit analysis and techniques of assessment in relation to health and safety legislation.

### MAGNITUDE/SCOPE OF SCRUTINY

Although at first sight Departmental, the wider aspects of applying cost-benefit concepts to public regulations are the more important feature of this scrutiny.

### CURRENT SITUATION AND PROBLEMS

Health and Safety Acts and Regulations are a recognised feature of modern employment. Their importance lies in preventing or lessening harmful conditions at a place of employment, many of which (coal dust, lead poisoning, radiation) are endemic to that employment. It had until recently been assumed by Ministers and society that more effective controls were needed, and specific quantification of their costs and benefits unnecessary. But, as the greater risks are progressively eliminated, the need to quantify further improvements, many of them marginal, becomes imperative. The economic as well as social consequences must be assessed.

Cost-benefit analysis techniques need to be clearer, especially where costs and benefits relate to the community as a whole, not just to a particular group. Value judgements are involved as well as economic logic, so the analysis should take account of factors such as disproportionate costs, or reasonable costs or benefits, alongside any other criteria which might be applied when choosing to proceed or not with a particular policy. There are a number of difficult problems in formulating costs and benefits in this health and safety area, these fall into two categories. Firstly, empirical - how can the information necessary to quantify costs and benefits be derived when the impact of regulations is so diverse? Secondly, conceptual - there are a number of subjective benefits which are more or less unquantifiable, eg. greater welfare of workers, reduced pain, grief and suffering, better information etc.



The costs to HSE and other enforcement agencies are generally only a small proportion of total costs of a requirement. The nature of subsequent savings are similarly diffuse, affecting not just the individual and his employer, but society at large. The major benefit of health and safety controls is the reduction of occupational accidents and diseases. In 1976 the cost of such accidents and diseases to employers alone was estimated at £1,000 million.

There are six types of health and safety requirements, each with specific difficulties for cost-benefit assessment -

- a. General duties - "reasonably practicable".
- b. Specific modifications to plant and machinery.
- c. Provision of protective clothing or equipment.
- d. Routine tests and Inspections of equipment and medical examinations.
- e. Restrictions on exposure to hazards.
- f. Requirements covering work practices.

In order to form cost benefit methodologies, other Departments with developed practices (such as Transport), were consulted, and also United States of America health and safety studies. This outside experience clearly demonstrates that the state of the art of economic assessment is such that definitive estimates of the total costs and benefits of control are rarely if at all possible. But it also suggests that economic assessment can offer an important contribution to decision making provided a flexible approach is adopted (covering both methods of assessment and presentation of findings).

#### RECOMMENDATIONS

##### a. Action

1. HSE should undertake its own economic assessment of all new proposals for health and safety requirements. Policy-makers and economists will need to make a joint effort.
2. The timing of the regulations-making procedure should be taken into account since the form of economic assessment will vary according to the stage reached.



3. Staff are to be issued with instructions to prepare and submit assessments at all stages of policy formulation. The Economic Unit of HSE should issue guidance to assist preparation.

4. A number of procedural recommendations are made relating to the regulation-making process.

5. HSE should publish estimates of the average resource costs of occupational accidents and diseases.

b. Further Study

HSE should examine the need for finely categorised statistics on occupational accidents in areas where legislation is being considered. This will facilitate assessment of the impact of the legislation.

Clearly the development of cost-benefit analysis will be continuous once accepted, and a great deal of further study will result.

Report to be circulated by Treasury to the Public Expenditure Survey Committee for any lessons to be learned and applied elsewhere.

POTENTIAL SAVINGS

a. Absolute

Unknowable - may require additional manpower, particularly economists, but by its nature, such a scrutiny should result in lasting savings by requiring stringent economic analysis of proposals for legislation etc (disposing of those which incur disproportionate costs). If existing regulations were examined in the same way over time savings could be made here too. But savings are primarily to be found in the private sector rather than the civil service (some savings will, however, fall to the private sector in its role as employer).

b. Proportionate

As above.

COST OF SCRUTINY

£10,250



## MINISTRY OF DEFENCE

### PROVISION OF SECONDARY EDUCATION OVERSEAS

The Report considered the requirement for the provision of secondary education for the children of Service and MOD personnel serving overseas. It compared the advantages and disadvantages of the present arrangements with those of possible alternatives. It did not examine Education Allowances.

### MAGNITUDE/SCOPE OF SCRUTINY

Departmental, but with potential implications for other MOD Educational Services, and FCO, and Home Civil Service personnel overseas. Large client group affected - majority of military personnel, and many civilian.

### CURRENT SITUATION AND PROBLEMS

Four methods of educational assistance for Service children -

1. Education Allowance;
2. provision of Secondary Day schools overseas;
3. provision of Secondary Boarding schools overseas;
4. payment of reasonable school fees in Extra-Command areas.

The Education Allowance provides for continuity of education for children of highly mobile staff, chiefly Boarding, and is claimed for over 17,000 children at a cost of some £34,070,000 pa on Defence Vote. It is beneficial, but politically sensitive in subsidising a choice for public servants of private education. Parents may choose cheaper and educationally inferior schools despite MOD advice, especially with rising school fees, but even so parental contributions will be in absolute terms greater in the future.

Secondary Day Schools Overseas, chiefly Germany, Cyprus and Hong Kong provide a similar education to that in the United Kingdom, and are HMI inspected. Teaching is thorough, staff-pupil ratios good, and continuity of syllabus etc a high priority. However, costs are high - average £1,400 per child in Germany ( cf £1,000 in the United Kingdom) and higher than the Boarding School Allowance - because of high costs of teaching staff. There are particular problems facing their school-leavers.



There are two Secondary Boarding Schools Overseas (plus a Boarding Annex); at a cost of £3,666 pa per child (1978/79) at Hamm. They are an unpopular and mostly forced option, and are proportionately very costly to MOD.

Payment of School Fees in Extra-Command Areas applies where a small military contingent can send its children to an acceptable local English-medium school, such as in Gibraltar, except where the selective nature of a school prevents this. Generally a cheaper method than Allowances or Boarding Schools.

Savings are to be looked for, given betterment of educational provisions as key objective, in administrative arrangements.

#### MAIN RECOMMENDATIONS

##### a. Action

1. Educational provision to be continued and develop the Havel School at Berlin (day) as a Secondary School with a sixth form, and remove the 9-11 year olds to other Berlin schools.
2. Reclassify the First Schools in Berlin as Primary.
3. Close the two single sex boarding schools at Hamm and lodge children unable to travel to Day Schools in Mess accommodation attached to Day Schools. Weekend travel to be at public expense.
4. Closer collaboration should be sought with ESF schools in Hong Kong.
5. Dismantle HQ British Families Education Service and establish a Service educator in each area of military organisation in Germany.
6. Greater use should be made of LEA and Schools Council advisers for advice on educational methods.

##### b. Further Study

Man S (Org) be invited to examine the arrangements for protecting PUS's interest as Accounting Officer for all MOD educational services.



POTENTIAL SAVINGS

a. Absolute

Not known from report. MOD estimate, subsequent to report, is £2.6 million pa (215 staff) from closure of schools plus £120,000 pa from reorganisation of BFES HQ.

b. Proportionate

Not known from report.

COST OF SCRUTINY

£9,000.



## MINISTRY OF DEFENCE

### MOD ASSISTED TRAVEL SCHEMES

Assisted travel (AT) schemes are designed to provide financial assistance towards employees' costs of travelling to and from work at establishments which, because of their location, have serious difficulty in recruiting and maintaining a viable industrial labour force. All industrial employees and lower paid non-industrial staff (broadly speaking those at CO grade or equivalent and below) who live more than three miles from the establishments concerned are allowed to benefit from such schemes.

### MAGNITUDE/SCOPE OF SCRUTINY

In October 1980 there were 121 MOD AT schemes (of which 30 were in process of rundown or were earmarked for closure) providing assistance to some 19,600 staff at a total cost in net subsidies in 1979/80 of approximately £2.72 million. Administrative costs added up to less than 5 per cent of this total.

### CURRENT SITUATION AND PROBLEMS

#### The Operation of AT Schemes

In theory, the operation of AT schemes should be relatively straightforward since charges and subsidies are designed to be aligned to the costs of travel by local public transport. A participant in an AT scheme is supposed to pay his own costs of travelling the first three miles to and from work and the remainder of his journey is then subsidised by MOD at a rate commensurate with the cost of travelling a similar distance by local public transport - up to a maximum distance assessed as a reasonable catchment area for the establishment concerned.

In practice, however, the calculation of entitlements to subsidy is not as straightforward as this. By definition most establishments which can justify an AT scheme are in isolated areas where local public transport is scarce or non-existent. Attempts to calculate subsidies based on local fares are often arbitrary and complicated and lead to anomalies.



Furthermore the rules are applied differently to employees depending on whether they travel to work by public transport, private transport or in MOD-hired or owned buses. Thus staff working in the same establishment and travelling the same distance to work may receive different levels of subsidy which are not necessarily related to their actual travelling costs and in the most favourable circumstances could be given a subsidy which exceeds their travelling costs. Attempts to provide an interpretation of the AT rules for every conceivable local variation have caused the headquarters branch concerned with AT matters to prepare a "Teaching Guide" for use in establishments which contains no fewer than 56 pages of explanatory information and guidance on the operation of AT schemes.

Despite these complexities, overall administrative costs remain low (£125,000-£130,000 in 1979/80) since, once entitlements are calculated, deductions and payments are normally made automatically by the payroll computer. Nevertheless a significant proportion of the work of the EO and CO in the headquarters branch concerned consists of giving guidance on the interpretation of AT regulations.

#### The Need for AT schemes

Many of the 121 schemes currently in existence date back 20 years or more and may have outlived their usefulness. While staff at a few establishments have to travel 20 miles or more to work and can receive subsidies of over £10 a week, the average subsidy at the 91 schemes not earmarked for closure was less than £2.95 a week in 1979/80. From this it seems clear that there are a number of schemes where the level of financial assistance given is such that its effect on new recruitment and the retention of existing employees must be questionable.

#### The Threshold for Payment of Subsidies

There is no inherent reason why the starting point for subsidies under AT schemes should be journeys of over three miles. Since assisted travel is a concession which is designed to provide assistance towards the cost of unusually long and/or expensive journeys to work, there would be logic in



relating the threshold for payment of subsidies to some measure of the average distance travelled to work on the grounds that it should not be necessary for an establishment to provide financial help for employees who make no more than an average journey. A Pay Board study in 1974 found that, within the public sector, the average distance travelled to work by employees outside the London area was slightly over five miles.

#### RECOMMENDATIONS

The study concluded that the concept of assisted travel was still valid in the case of isolated establishments which had to rely on persuading their labour force to travel a considerable distance to and from work. Some establishments might find it necessary to provide transport for their staff in areas where public transport was inadequate but it did not necessarily follow that such transport should be subsidised by MOD. The need for continued financial assistance at many establishments seemed questionable but it was necessary to take local factors into consideration in each case. The study therefore recommended that priority be given to an existing programme of on-site reviews with a view to phasing out all schemes which could not be strictly justified.

The study recommended that the shortest journey to work which could benefit from payment of subsidies under any scheme should be raised from one of over three miles to a distance of over five miles.

The study also recommended that the calculation of charges and subsidies should be simplified so that standard rates could be calculated centrally in MOD and applied by establishments to each individual participating in an AT scheme.

#### POTENTIAL SAVINGS

##### a. Absolute

The implementation of these recommendations would save approximately £1.2 million a year at the levels of charges and subsidies pertaining in 1979/80.



b. Proportionate

40 per cent of total costs in 1979/80.

COST OF SCRUTINY

£10,958.



## MINISTRY OF DEFENCE

### THE CLAIMS COMMISSION

This scrutiny considered the requirements for, the role and organisation of the Claims Commission involving both MOD and work for other Government Departments.

### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, and small staff of 176, but in a field affecting insurance provisions across other Government Departments.

### CURRENT SITUATION AND PROBLEMS

The Claims Commission is part of MOD. It is responsible for handling most claims against MOD, home and abroad, and 11 other Government Departments, and also against Visiting Forces (mostly American) in the United Kingdom. Mostly it serves the purpose of an insurance company when claims are made against Government, and relies on Treasury Solicitor for legal work (done in insurance companies by non-legal staff).

Traditionally, since Gladstone's day, the Crown does not insure, and this has never been seriously questioned. Only in Northern Ireland as a result of policies pre-dating direct rule have insurance companies tendered to the Northern Ireland Departments for motor accident and employers' liability insurance, and the general result seems to have been fewer and less claims. There is, however, a link with the insurance world via the Claims Commission Committee on which Lloyds and insurance company representatives sit, and which determines broad handling policy on claims.

Claims settled in 1979-80 totalled about £10 million, with the main clause areas being United Kingdom Industrial Accidents and Illnesses (£1¼ million) and NW Europe Training and Manoeuvre Damage (£1½ million from 3,156 claims). Claims settled on behalf of other Government Departments account for only £¼ million. If claimants' legal costs are accepted they are charged to Treasury Solicitor's Vote, and legal advice to the Commission is not charged for.



Claims in the United Kingdom for traffic accidents go to London or Edinburgh; for aircraft damage direct to London; and for industrial accidents first to Area Offices. There seems to be no relation between the effort expended on a claim and the amount at stake. Claims are paid in line with practice in the insurance world; however, no competitive costing has been done of Claims payout/costs versus outside premiums in all insurance areas.

The existing arrangements proved almost impossible to cost, because many of the existing functions are not costed in a way relevant to those functions. For instance, the cost of HQ in Berkeley Square is greater than the amount allowed in CSD's Ready Reckoner; so too would be the telephone bill, and no costing is made of the cost of making payments or legal advice, and only a rough estimate of travel and subsistence.

There are several offices abroad, chiefly in Germany, and in Cyprus, Gibraltar and Hong Kong, and have much work on training etc damage. Hong Kong and Gibraltar cost more to administer than the amount paid out in claims; Hong Kong spends disproportionate time and effort on trivial claims.

#### RECOMMENDATIONS

##### a. Action

1. Move Claims Commission HQ from Berkeley Square.
2. Undertake detailed costing of relevant parts of the operations of the Claims Commission.
3. Raise financial authorities and let Area Offices submit direct to Treasury Solicitor.
4. Close London Area Office.
5. Transfer Northern Ireland traffic cases to Edinburgh.
6. Explore with Treasury Solicitor scope for co-location of relevant staff.
7. Adopt less formal style in correspondence with claimants.



b. Further Study

1. Seek competitive quotations from insurance brokers for (a) conventional insurance, and (b) a claims handling service to cover motor accidents and employers' liability in United Kingdom, Gibraltar and Hong Kong; and assess whether overall either would be better than Government acting as insurer.
2. Consider whether other Government Departments might wish to centralise any work not put out to insurance in the Claims Commission.

POTENTIAL SAVINGS

a. Absolute

£0.22 million (£0.2 million of this would be saved from other Departments' Votes). But when insurance quotes sought, could/might be more.

b. Proportionate

12 per cent.

COST OF SCRUTINY

£9,110.



## MINISTRY OF DEFENCE

### INSPECTION AND AUDIT IN THE MINISTRY OF DEFENCE

This scrutiny was set up to review the organisations which are responsible for some form of management or systems audit and to recommend where improvements can be made.

#### MAGNITUDE/SCOPE OF SCRUTINY

Within MOD there are a number of organisations responsible for some form of management audit. The scrutiny concentrated on only three of these: those responsible for staff inspection, internal audit and central management services. Together these employ about 640 staff at an annual cost of £9.5 million.

#### CURRENT SITUATION AND PROBLEMS

##### Inspectorates of Establishments

The main task of these divisions is staff inspection and complementing of both civilians and servicemen. Staff inspection is undertaken largely on a cyclical basis and the basic technique is normally an interview by the inspector with each post holder.

The scrutiny concluded that the manpower control function is required but:

- i. Cyclical staff inspection of complements is not cost-effective particularly when (as at present) numbers can and are being controlled by other means and strengths are substantially below complements. By concentrating on complements staff inspection does not directly address the problem of matching tasks and available manpower resources.
- ii. Staff inspection relies heavily on the subjective judgement of the inspector; it is also not effective at questioning tasks or making comparisons of grading standards and functions between different management areas.
- iii. Implementation rates tend to be poor.



### Internal Audit

A centralized Directorate of Internal Audit was established in 1972 with the aim of replacing the old 'check and tick' style of audit with the new systems approach. Systems audit is not yet operating effectively.

In particular:

- (i) Effective systems audit requires an increase in the quality and expertise of staff.
- (ii) There is a need for an improved capability for looking at functions across the board.
- (iii) There is too much audit of low risk areas and a need for more planning and co-ordination of audit effort to ensure that it is directed where the risks to the Department are greatest.
- (iv) There are too many compliance checks of doubtful value. There is too little systems appraisal.

### Management Services

The scrutiny concentrated on the central management services division, although there are a number of other management services/work study teams dispersed throughout the Department.

The central division performs a generally effective role but there is scope for improvements. These include more use of multidisciplinary teams with expertise drawn from elsewhere in MOD or outside; a better information flow to ensure that the division knows which area is most in need of help; a right of access (although the division should in general continue to operate on a consultancy basis); tighter implementation arrangements.

### General

There is too much inspection, some of doubtful value, and inadequate co-ordination of inspection effort. There is no single and continuous source of advice for the Permanent Secretary and Ministers on what 'audit' is revealing about the management health of the Department. The weight of inspection detracts from line management's sense of responsibility for the economic management of resources.



## RECOMMENDATIONS

A new approach is recommended based on greater trust on line management and a more co-ordinated and selective audit of their performance, backed up by better management information.

A number of detailed recommendations are made to improve the effectiveness of the audit functions and to reduce the weight of inspection to which line management is subject.

In addition, to improve co-ordination, it is recommended that the internal audit, central manpower control and management services functions should be brought together under a Director General of Management Audit at Under Secretary level. Detailed manpower control should remain delegated to the main management areas of the Department and to help them exercise their responsibilities for this, they should have their own manpower audit divisions.

## POTENTIAL SAVINGS

### a. Absolute

- (i) The selective approach to audit should permit a reduction of some 200 staff saving £2.7 million a year, although this will be partly offset by the need to improve the quality of the staff.
- (ii) Proposals to reduce the number of staff based overseas could save some £140,000 a year in foreign exchange costs.
- (iii) If successful, the improved effectiveness of the new arrangements should lead to more substantial savings in the longer term.

### b. Proportionate

About 30 per cent.

## COST OF SCRUTINY

£9,300.



## MINISTRY OF DEFENCE

### ECONOMY IN MAJOR NEW BUILDING WORKS FOR THE MOD

This scrutiny examined the standards, quality and cost of a sample of recent Ministry of Defence (MOD) building projects by reference to the capacity and state of the existing stock, and to comparable local authority and private developments, with a view to future economy.

### MAGNITUDE/SCOPE OF SCRUTINY

Large area of MOD expenditure, costing annually £230 million, out of total building programme of £700 million. Covers domestic accommodation (20 per cent) and operational and logistic projects. Sensitive area, both for continued defence capability to be met, and for morale of preponderantly MOD-housed personnel. Implications for Home Office, Department of Health and Social Security (DHSS) and Department of Education and Science (DES).

### CURRENT SITUATION AND PROBLEMS

The MOD works programme is not a co-ordinated defence-wide one, but is arrived at each year by each of the Service Departments and the Procurement Executive determining the money to be allocated in the light of the total sums available to each of them within the overall defence budget. But building plans have been subject recently to severe financial pressures on the one hand, and to the need to spend surplus monies on the other. This makes good forward planning very difficult.

The Property Services Agency (PSA) is responsible for the provision of all buildings required by the MOD in the United Kingdom, except Territorial Army new buildings, and abroad in conjunction with additional agencies. Projects originate in a variety of ways, both "on the ground" and from HQ policy decisions, and a formal statement of requirement for a works project must be prepared. After approval within MOD, the brief is sent to the appropriate PSA Defence Secretariat. The project is then allocated to a PSA Works Group or PSA Region, and a PSA Manager is appointed. He has overall nominal managerial and financial responsibility for the project through to completion,



but a Liaison Officer is appointed to act between client, user and project manager. Since 1979 Ministerial clearance to proceed to tender for projects over £250,000 has been required. There is also a facility in a Joint MOD/PSA Appraisal Board to assess after 12 months the success or failure of the buildings in meeting the occupiers' requirements.

The problem areas to be examined were -

- a. the need for a building;
- b. whether the need was being met in most economical way;
- c. any avoidable delays in planning or execution. (Projects can take up to 10 years and procedures, materials etc become dated during construction; also costs in building are going up by  $1\frac{1}{2}$  per cent per month.)

#### RECOMMENDATIONS

##### a. Action

1. A number of recommendations on standards and standardisation of requirements - eg single living accommodation for junior ranks; scales of living accommodation for men and women brought into line; room sizes reviewed; garrison recreational areas; disposal of married quarters.
2. A number of recommendations on standardisation of design, systems-built storage, energy conservation, cost benefit studies on replacement buildings, fire protection measures, modernisation as against new building.
3. A number of recommendations on timescales and control - eg challenge expensive designs; agree new overall MOD/PSA operating procedures; examine MOD/PSA relationship; assess real cost of delays; strengthen role of Project Manager and Project Liaison Officer; delegation of authority; introduce a rolling programme.
4. PSA would benefit from a more commercial approach; various changes in tendering procedures; pre-selection procedures for mechanical and electrical services; closer control on work of consultants; less PSA involvement in various sub-contracts; detailed guidance on standards of finish and improved system to avoid design faults.



b. Further Study

1. Use of messes in Royal Navy and Army garrisons.
2. Review public rooms for junior ranks.
3. Review Service hospital rebuild programme.
4. Examine cost of MOD maintenance of listed buildings.
5. Re-examine long-term value of some modernisation schemes for married quarters.
6. Consider MOD-wide domestic works budget.

POTENTIAL SAVINGS:

No attempt to cost any savings - "some scope for economies". Clear that if a number of the recommendations, especially on a Defence-wide basis, implemented, likely to be significant economies. Timescales and controls area fruitful, and also standardisation and sharing of facilities.

COST OF SCRUTINY

£27,400.



## MINISTRY OF AGRICULTURE, FISHERIES AND FOOD

### THE ENFORCEMENT OF QUALITY STANDARDS FOR FRESH HORTICULTURAL PRODUCE AND THE WORK OF THE EGG MARKETING INSPECTORATE

This scrutiny considered the work of the Egg Marketing Inspectors and the Horticultural Marketing Inspectors in England with regard to cost, efficiency and effectiveness; considered whether their work was necessary and, if so, whether there were more cost-effective ways of achieving the same ends.

#### MAGNITUDE/SCOPE OF SCRUTINY

Small, specialised operations totalling £2.6 million in 1979/80, mostly staff costs; thus a narrow scrutiny but one which raised questions on United Kingdom implementation of EC Regulations, Government intervention in production and trade, and consumer protection. Implications for similar functions in Scotland, Wales and Northern Ireland.

#### CURRENT SITUATION AND PROBLEMS

##### Egg Marketing Inspectors

Their purpose is to enforce EC Regulations on egg marketing standards, both to home-produced and imported eggs. Most of their work is taken up on inspections of eggs at packing and wholesaling premises according to a routine programme of unannounced visits; inspections of imports at points of entry have so far been only a small part of the work.

Measuring the costs and benefits proved difficult, but it was clear that the legal obligation could be met effectively only by central Government. The size of resources and the approach to apply to the function needed careful consideration.

The inspection work benefited egg packing firms by acting as a check on their own quality control arrangements, but this was not considered a necessary function of Government. There were benefits arising from the maintenance of a framework of rules within which competition could develop freely and fairly (a main aim of the EC legislation), but the clearest benefit was to consumers. There was little evidence, however, to suggest consumer dissatisfaction with egg quality at present. A further possible benefit was in helping to ensure that the home industry remained competitive on quality with imported eggs.



The routine visit requirement was judged to be inflexible and likely to stifle initiative on the part of inspectors. Enforcement measures were not thought to be fully effective, partly because of the limitations on follow-up action imposed by the routine visit requirement. The present overall impact on the industry and the level of compliance with marketing standards were thought, however, to be adequate in all the circumstances.

#### Horticultural Marketing Inspectors

Their main purpose is to enforce EC Regulations on marketing standards for fresh horticultural produce (mainly fruit and vegetables but also flowers, plants etc) whether home-produced or imported. This is done by spot inspections of produce at packing and wholesaling premises, and at ports, airports and international rail terminals. In addition, they carry out inspections on export consignments and on produce to be withdrawn under the EC market support arrangements. They also have important commitments to report wholesale market prices and throughputs.

The work was examined in the context of an industry under increased competitive stress since EC entry. Although accounting for only 10 per cent by value of agricultural output, horticultural production held a disproportionate importance because of its intensive nature and regional concentration. Growers had been slow to take account of changing market requirements and many suffered poor returns through overloading the market with poorly presented produce which was no longer acceptable at a worthwhile price.

Measuring costs and benefits again proved difficult, and it was particularly important to consider to what extent Government could and should seek to promote good marketing practices by enforcing EC rules, what the results might be, and what resources and methods were required to achieve this.

The greatest volume of work was at central wholesale markets, where the enforcement effort met with only moderate success at present, partly because of a reluctance to impose legal sanctions in the early years of the statutory arrangements. A similar situation applied in growing areas, and enforcement sometimes took second place to an advisory approach. Inspections on exports were highly effective and had helped British traders penetrate new markets by establishing a record of reliable quality. Import inspections needed a lot of resources, and were generally cost-effective because the inspectors had a large degree of control



over the consignments inspected. Retail inspections took a low priority and should continue to do so. Inspection procedures were generally along sensible lines although those for withdrawal appeared cumbersome. Market reporting took too high a share of the available resources and should be restricted to what was absolutely necessary.

The benefits derived from the work were not great for individual producers or traders, nor of particular importance to consumers. The main potential benefit lay in the possibility of enforcing standards strictly enough to improve the image and competitiveness of home-grown produce, with consequent gains in the returns to producers as a whole and to the balance of payments. The potential gains appeared to be significant, although to attain them would require a much sharper application of the Regulations.

There were doubts about whether the HMI was now well-organised to do its job. With a heavy concentration of its work in a single region (the South-East), a rather confused management and organisation within the Agricultural Development and Advisory Service, and a top-heavy age structure, the inspectorate seemed in need of changes in structure, management, recruitment and training if it was to fulfill the role envisaged for it. To meet the legal obligation alone required only a significantly smaller HMI, but to do the larger job in the national interest required a complement close to the present number of staff in post.

#### RECOMMENDATIONS

##### Egg Marketing Inspectorate

The major recommendations were aimed at improving effectiveness by increasing the impact of the work on persistent offenders, while reducing costs, by -

- (i) scrapping the routine visit programme and putting the onus on individual inspectors to know and police their areas;
- (ii) establishing an escalating range of actions against persistent offenders, to ensure that where action is taken it is effective;
- (iii) bringing a few more prosecutions and raising maximum fines to establish a more credible deterrent;
- (iv) since overall the present level of compliance is acceptable but the new approach would give individual inspectors more impact, reducing their numbers.



### Horticultural Marketing Inspectorate

The recommendations were aimed at increasing the effectiveness of the main inspection work, while keeping costs down, with the important underlying aim of improving the competitiveness of home-grown produce, through -

- (i) tougher enforcement measures on home produce and directly competitive imports, including prosecution of serious or persistent offenders and increased maximum fines to establish a credible deterrent;
- (ii) changes in working priorities with, in country districts, concentration on enforcement and follow-up action but retaining high priority for export and withdrawal inspections; at wholesale level, more emphasis on out-of-grade produce and much more effective follow-up action to ensure that action is made to stick; at entry points, more discrimination between directly competitive imported products and others;
- (iii) clarification and strengthening of legal powers to deal with offences;
- (iv) major changes to the grading, structure and management of the inspectorate within ADAS, better definition of roles and priorities at all levels, and more flexible allocation of resources according to need;
- (v) reductions in market reporting and a detailed O and M study on procedures;
- (vi) early resumption of recruitment with reduced academic requirements but strict training and probation requirements.

### POTENTIAL SAVINGS

#### a. Absolute

£250,000 of which -£182,000 EMI (-9 on staff in post; -14 on complement)  
-£68,000 HMI (-4 on staff in post; -23 on complement)

#### b. Proportionate

10 per cent.

### COST OF SCRUTINY

£18,000



## DEPARTMENT OF THE ENVIRONMENT/DEPARTMENT OF TRANSPORT

### THE JOINT DOE/DTP REGIONAL OFFICES

This scrutiny examined the organisation and functions of DOE/DTP regional offices in England, and of the Headquarters directorates which provide "regional office" service for London. It also looked at ways in which the DTP's Road Construction Unit organisation might be merged with the joint DOE/DTP regional office organisation.

### MAGNITUDE/SCOPE OF SCRUTINY

There are 8 joint DOE/DTP regional offices outside London. As at 1.4.80, the regional offices and the London divisions at HQ employed about 1,800 staff - some 8 per cent of the total staff of the two Departments.

### CURRENT SITUATION AND PROBLEMS

The regional offices and the corresponding London directorates are the executive arms of DOE and DTP for policies on housing, planning, inner cities, transport and miscellaneous matters such as co-ordination of regional activities and emergencies. They were created in 1970 from a merger of Ministry of Housing and Local Government and Ministry of Transport local offices.

Most of the functions of the regional offices involve contact with local authorities and few with the general public. For this reason, the regional offices do not need to be supplemented by any finer network of offices such as those run by DHSS.

On the Transport side, the bulk of the work is executive - managing, maintaining and improving the trunk road network using County Councils as agents. On the Environment side, the executive function normally lies with the local authorities (not with Government) and the Department's role is largely regulatory - sometimes influencing local authorities decisions through the allocation of funds, sometimes confirming or overriding them through appeals mechanisms.



Policy changes are being implemented which will affect the work of the regional offices. These are directed mainly at getting the Government out of detailed involvement with local authority work and point to a significant reduction in regional office workload. Ministers are, however, introducing two new functions (economic regeneration of 50 large towns and cities in England and a default power to secure council house tenants' right to buy their homes) which may add to regional work.

Many of the functions of the regional offices had been covered by Ministerial policy reviews in the 12 months preceding the scrutiny. The scrutiny did not go over the same ground but concentrated instead on the following issues -

- (i) the staffing implications of all these various policy changes (not previously assessed);
- (ii) whether the regional office network was needed at all and, if so, whether the number of regions might be reduced;
- (iii) ways of merging the Road Construction Unit organisation with the regional office organisation.

The report concluded that the regional office network should be retained but rationalised; that it should continue to serve the 2 Departments jointly and the offices be headed by Regional Directors at Under-Secretary level.

#### RECOMMENDATIONS

##### a. Action

1. The number of regions outside London should be reduced from 8 to 6.
2. Regional offices should stop examining draft LA compulsory purchase orders; legislation might be introduced to abolish requirement for Ministers to confirm unopposed orders.

##### b. Further Study

1. The possibility of setting up joint DOE/DTP/DOT/DEm offices should be examined.
2. Various working practices in regional offices should be further examined.



POTENTIAL SAVINGS

a. Absolute

1. Change in procedures: 40 posts. (£400,000)
2. Change in number of regions: £350,000 a year from a net reduction of 7 senior posts and savings in London weighting, with a once-for-all cost estimated at £400,000 because of staff moving offices.

b. Proportionate

About  $4\frac{1}{2}$  per cent.

COST OF SCRUTINY

Approximately £30,000.



## DEPARTMENT OF THE ENVIRONMENT

### FINANCIAL CONTROL OF THE WATER INDUSTRY

The scrutiny reviewed the methods used by DOE to regulate and control the expenditure and borrowing of the water industry and to encourage greater efficiency. It also examined the part played by the water authorities and the National Water Council.

### MAGNITUDE/SCOPE OF SCRUTINY

There are nine English water authorities sponsored by DOE and a tenth - the Welsh Water Authority - sponsored by the Welsh Office. Estimated capital expenditure by the ten water authorities for 1980/81 was £439.8 million; revenue expenditure amounted to £1.75 billion. The cost to DOE of administering financial matters associated with the water industry is £272,870 per annum.

### CURRENT SITUATION AND PROBLEMS

The structure of the water authorities, established in 1974, is akin to that of local authorities. The majority of their members are appointed by local authorities (though there is doubt about the extent to which these members are accountable to local authorities) and their methods of charging stem from local government. But to an increasing extent, the Government sees them as public utilities and for financial control purposes regards them as being similar to nationalised industries.

The National Water Council is an independent, statutory body with a duty (inter alia) to promote efficiency in the water authorities. The NWC has said that the relationship between the constitutionally weak central body and the constitutionally strong regional bodies is delicate.

At the time of the scrutiny, the capital expenditure of the authorities was counted as public expenditure and included in the 'Other Environmental Services' main programme, though change is being considered to bring it into line with the treatment of nationalised industries. The authorities are given an allocation of resources under PESC and there are cash limits on all external financing including loans from the NLF, foreign sources and the banks, and grants.



Their capital works programmes also have to be approved by the Secretary of State. And from 1981/82 the authorities will face financial targets requiring a prescribed rate of return on total assets at current valuation together with the introduction of current cost accounting.

DOE has undertaken project appraisal reviews of water authorities' methods and practices and these have shown that the quality of both the systems and the project appraisal itself was very variable.

Because of the absence of effective competition, the Government had decided to provide a system of performance aims for revenue expenditure which would encourage water authorities to improve their productivity, rather than increase their charges or lower their standards, in response to financial targets and cash limits. Work was being carried out on this during the course of the scrutiny.

The scrutiny concluded that the package of DOE financial controls was well-conceived and likely to achieve the Government's objectives but given its evolutionary state it was too early to assess its effectiveness.

The scrutiny also considered the DOE organisation for administering the package of financial controls and concluded that the main problem was the spread of responsibility over four divisions, having two policy divisions and a split of responsibility between these policy divisions and the central finance divisions.

#### RECOMMENDATIONS

##### a. Action

1. The package of controls should be reviewed in 2-3 years.
2. DOE should give WAs more help in drawing up their plans and DOE (rather than DOE and NWC) should be responsible for assessing these plans. DOE should also undertake a technical scrutiny of schemes which they grant-aid.
3. Responsibility in DOE for financial control of the WAs should be vested in one policy division.



b. Further Study

There should be further reviews of -

- (i) the alleged inefficiency of some district councils in carrying out their sewerage function;
- (ii) the accountability of water authorities;
- (iii) ways of improving the reliability and use of WA's management information.

POTENTIAL SAVINGS

Additional PPTO post, so net cost of £14,000.

COST OF SCRUTINY

£5,900.



## PROPERTY SERVICES AGENCY

### PSA WORKS TRANSPORT

This scrutiny reviewed the requirement for works transport in the PSA's United Kingdom Territorial Organisation (UKTO) and the ways of meeting it; and made recommendations.

### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, focussing on a slice of Departmental expenditure. But with planned changes and reduction in the Directly Employed Labour Force of importance in continuously reassessing a costly operation. Potential lessons for the remainder of PSA's Allocated Fleet, though UKTO forms 85 per cent of it.

### CURRENT SITUATION AND PROBLEMS

The PSA's Directly Employed Labour Force within district works and estates offices, and the non-industrial staff closely involved with them, are the majority consumers of approximately 2,168 vehicles across the PSA's Regional Works Organisation. The annual operating costs are some £3.5 million.

Assuming the continuing requirement of a transport fleet in order to carry out essential tasks in each District, the transport needs to be of a type that will facilitate movement of men and materials from one location to another with minimum delay if the Agency's response rate is not to suffer. Typical DEL work (it varies from Office to Office) is small maintenance and repair, both planned and emergency, and vehicles are suitably equipped for the task. The areas are almost all badly served by public transport. Travel may amount to over 8 hours per week.

Staff, both DEL and supervisory, are reluctant to use private transport which, apart from supervisory staff, is mostly unsuitable anyway. On airfields bicycles are used, but this is declining, partly because staff are older, partly because fewer come to work on them. Similarly, Estates Offices' staff work in areas with the same transport needs, and same reactions to providing their own vehicles.



Supervisory Staff in a number of Offices could use private or public transport, though mostly the latter is too inflexible and private use is the norm. Regional site control staff have less need of UKTO vehicles. Only 139 vehicles are provided for some 3,000 staff, and distribution varies considerably from region to region.

The PSA Supplies has identified the full costs of owning and operating all PSA vehicles. Costs are recovered from customers through a system of hire charges according to the type of vehicle, mostly estate cars and vans. One alternative would be long-term contract hire from hire firms. The scrutiny examined this, but concluded it would be neither cost-effective nor flexible enough, except in rare instances.

The ratio of vehicles to the Directly Employed Labour Force is currently 1:8 and as low as 1:28 in London. This ratio is not excessive, and most regions find it necessary to supplement this by private or public transport. Since 1971 there has been a reduction of 13 per cent in the numbers of vehicles, along with the decline in numbers of the DEL staff. The DEL will continue to contract, so a possible 15 per cent less vehicles could be expected between now and 1983, and thereafter possibly a further 35 per cent, yielding savings in operating costs of over £1 million per annum.

Supervisory Staff have an option of using self drive cars or their own, but it has not been clear where the economic advantage to PSA lay because of insufficient guidance on costings. The occasions where an exclusive use vehicle is justified have also not been clear, nor the insurance etc provisions which attach. Staff are increasingly reluctant to use their own cars, and many offices up to now have relied on private cars used by non-industrial staff. The problem of how to fill this potential gap is pressing, especially where a low-income non-industrial who does a low annual mileage (under the break-even point of 6,500 a year) is concerned.

Within District Works Offices insufficient incentives are provided for cost-consciousness, especially where a flat-rate charge is levied for all vehicles, regardless of size and initial cost. Thus the savings to be made by running more mini-vans would not be realised in returns from an Office. More effective lines of responsibility and accountability could be established.



## RECOMMENDATIONS

### a. Action

Many recommendations for improvements in efficiency of administration and operation of vehicles throughout the District and Estates Works Offices.

Broadly fall under -

1. Keep comparative types of use under cost review - private, hire public transport and own vehicles, and encourage appropriate use. Review numbers and type of vehicles especially in period of contracting DEL work force.
2. Improvements in incentives for District Works Officers to economise in individual vehicle operating costs.
3. Area Works Officers to be directly accountable to Regional Director for efficient utilisation and deployment of PSA vehicles, with Regional Transport Officers in monitoring and advisory capacity.
4. Greater flexibility in procurement, repair and fuelling of vehicles, and use of MOD Direct Repair Contracts.
5. Various returns on vehicle usage to be rationalised.

### b. Further Study

1. Review by PSA Establishment Officer to establish extent of withdrawal of private cars for official use, and how to arrest the trend.
2. Replacement policy to be examined in the light of methods developed by Local Government Operational Research Unit.
3. Results of field trials by government car service and IDS in London on a computer-based management package to be evaluated before thought of for Allocated Fleet.



POTENTIAL SAVINGS

a. Absolute

£200,000 pa operating costs.

£51,000 pa basic staff costs.

b. Proportionate

6 per cent of present operating costs.

COST OF SCRUTINY

£13,500.



## SCOTTISH OFFICE

### ADVISORY AND MONITORING FUNCTIONS OF THE SCOTTISH DEVELOPMENT DEPARTMENT WITH RESPECT TO LOCAL PLANNING AUTHORITIES

This scrutiny examined the range and cost of town and country planning advice provided by the Scottish Development Department (SDD) to Scottish local planning authorities and the monitoring by the Department of local authorities' performance in carrying out their statutory planning functions. It endorsed both concepts, but recommended a decrease in activity with consequent savings in Departmental staff costs.

#### MAGNITUDE/SCOPE OF SCRUTINY

Narrow, looking at one part of the work of the SDD Planning Divisions. Total staff costs of advisory and monitoring functions with respect to local planning authorities (ie generally the functions, other than those which are clearly statutory, of SDD Planning Divisions relating to local authorities) were estimated to be about £225,000 per annum (about 16 per cent of the total staff costs of SDD Planning Divisions).

#### CURRENT SITUATION AND PROBLEMS

In the early days of planning legislation, central government advice and strict monitoring were essential for the system to work at all since local government did not have the staff capacity (quality or ability) to undertake its statutory duties. Today, however the staff position is no longer a major problem though there is variability in expertise.

The fundamental question for the scrutiny therefore is whether the advisory and monitoring functions are needed now and in the future and if so to what extent.

#### Advice

The scrutiny concluded that there is a substantial need for advice from the Secretary of State, though the value is impossible to quantify. The types of advice take the form of explanatory circulars, "pastoral visits" by Departmental Planning Staff, discussions with local government planners on structure and local plans, National Planning Guidelines, Planning Advice Notes etc.



Although it is doubtful whether the Scottish planning system would totally collapse if the Secretary of State disengaged from this advisory activity it is thought that any substantial reduction in SDD input might be counter-productive in leading to major planning mistakes and to local authorities having to engage more staff to be able adequately to perform their statutory duties.

On the basis of interviews with a wide range of customer authorities, the comparative value to the consumer of the different forms of advice issued was indicated and an order was suggested in which, whether as a result of the scrutiny or because of pressure on resources, forms of advice might be reduced with the least damaging results for the planning system as a whole.

No obvious gap in the Department's range of advice was noted. While a certain amount of "nannying" of planning authorities was detected, this had not been taken to extremes. There was scope for marginal changes however.

#### Monitoring

The most obvious manifestation of SDD's monitoring activity with respect to planning authorities is the collection of statistical and other returns from district and general authorities on a regular basis (eg housing land returns, planning applications granted and refused).

In addition, in 1976, the Secretary of State called for regional reports, which were expected to describe authorities' policies and priorities in respect to strategic physical planning of the region. No further reports have been called for since then, though some authorities have drawn them up on their own initiative. "Pastoral visits" are also used in a monitoring context.

The scrutiny concluded that monitoring was necessary to keep the Secretary of State in touch with the planning system, to allow him to determine whether planning authorities are fulfilling their statutory duties, and to give him the opportunity to come to an objective view on whether and when changes in legislation are required.



### RECOMMENDATIONS

The scrutiny recommended that before SDD issued further advice in several of the current forms there should be a very close examination of the demand by and need of authorities for such advice.

The number of "pastoral visits" should be reduced to twice a year and only one official at a time should visit an authority.

Possible new forms of monitoring were considered and arising from this it was recommended that the Department should consider calling regularly for further Regional Reports (corporate strategic planning documents) from local authorities, the next submission to be in 1982/83.

Other recommendations included encouragement of co-operation between different tiers of local authorities; better explanation by the Department of why information is required and how it should be provided; insistence by the Department that any returns requested should be completed; and consultation with authorities before any amendments were made to information requirements.

### POTENTIAL SAVINGS

#### a. Absolute

Not precisely calculated but possible 4 posts (£55-60,000 per annum).

#### b. Proportionate

About 25 per cent of staff costs of functions studied.

### COST OF SCRUTINY

£6,060.



## FORESTRY COMMISSION

### THE ADMINISTRATION OF PRIVATE WOODLAND GRANTS AND CONTROL OF TREE FELLING

This scrutiny examined the structure and administration of the private woodland grant schemes and the licensing of felling and made radical recommendations on their cost, efficiency and effectiveness, recommendations which have policy implications and which should therefore be examined alongside the general review of Forestry Commission policies.

#### MAGNITUDE/SCOPE OF SCRUTINY

Grants form a substantial part (£2¼ million in 1978/79 and expected to total £7½ million in each of the next few years) of the Forestry Commission's budget as the national Forestry Authority in which role it supports the private sector. They cost £729,100 to administer and over 5,000 woodland owners participate in the chief form of support known as the Dedication Schemes.

Some 2,000 felling licences are issued annually at a cost of £189,900 in 1978/79.

Departments of Forestry Ministers affected are MAFF and the Scottish and Welsh Offices, but DOE also has a substantial interest. Many environmental bodies have views and there is an influential forestry lobby.

#### CURRENT SITUATION AND PROBLEMS

##### Licences

When first instituted in World War II felling licences were to protect and husband timber resources for strategic purposes but now, and especially in lowland Britain, the licensing system is seen mainly as an amenity measure. The legislative expression of the Commissioners' licensing powers is out of date in many respects. But it is held by foresters and environmentalists that some controls must remain in the general interest of conserving the countryside. A large number of felling activities require applications but there are exemptions from the need for licences. The exemptions cover chiefly trees of small volume and need recasting to satisfy the amenity objectives for which area of woodland can be as important as individual tree size. Enforcement of



licence conditions - mainly to ensure replanting - is a serious difficulty, expensive in staff effort, and at the end of 1978/79 there were 2,757 licences with unsatisfied conditions. The control system includes provisions such as felling directions which are cumbersome and unused.

#### Grant Aid

In 1943 the policy began of building up the nation's forest estate to achieve 2 million hectares by year 2000. Three-fifths would be Forestry Commission new planting, the remainder rehabilitation of woodlands by the private sector assisted through grants under the Dedication Schemes. By 1972 private owners had completed the latter but since 1960 there had also been much planting of bare land fostered mainly by forestry investment companies. For a number of reasons private planting fell away from the early 70s and confidence was not helped by an unpopular new Dedication Scheme (Basis III) introduced in 1974. New incentives are necessary to meet the Government's forestry policy and the part which it sees in this for the private sector. The opportunity to restore confidence is ripe and at the same time to simplify the administration of grant aid.

The present Dedication Schemes are complex, costly and burdensome for all concerned, with administration costs averaging £39 for £100 of grant paid. They involve a legally binding commitment on the owner which restricts his freedom with little in return, and they are not well enough directed to the extension of forestry in the available upland areas. The Small Woods Scheme costs £91 to administer for every £100 of grant paid.

#### RECOMMENDATIONS

##### a. Action

On licensing eleven recommendations are made, mostly eliminating provisions now irrelevant but recognising the environmental merit of retaining some control of felling. It is proposed to reduce field inspections, charge a fee for a licence on a sliding scale, require a guarantee bond where felling is conditional on replanting and raise the price for non-compliance from £50 to £1,000.



On the grant-aid schemes, the existing ones should be phased out and replaced by a unified grant scheme which would be simpler to administer and more flexible in meeting the Government's objectives for private forestry.

b. Further Study

An urgent review of consultative procedures should be undertaken with the bodies with whom the Forestry Commission consults. This review should seek areas for reduction in consultation and therefore of costs.

POTENTIAL SAVINGS

a. Absolute

1. The Felling Licence recommendations would save £90,000 per annum and charges for licences generate £141,500 per annum.
2. The Grant-Aid Schemes savings are more difficult to quantify but £276,000 per annum is possible.
3. A review of consultative procedures could save the Forestry Commission £10,000 per annum but the total saving of public expenditure would be many times this figure.

b. Proportionate

55 per cent (savings and extra revenue).

COST OF SCRUTINY

£16,620.



## WELSH OFFICE

### PROCEDURES FOR PROCESSING MAJOR NATIONAL HEALTH SERVICE BUILDING PROJECTS

The scrutiny examined Welsh Office procedures for processing major NHS building projects. It studied the responsibilities of the Welsh Office, the Area Health Authorities (AHAs) and the Welsh Health Technical Services Organisation (WHTSO) to see whether there was any duplication of work between them, considered whether the Department was too closely involved in matters of detail and examined whether the organisation and methods of the relevant parts of the Department were appropriate for the functions to be carried out.

### MAGNITUDE/SCOPE OF SCRUTINY

Of a total health programme in Wales of nearly £300 million in 1979/80, £22 million was devoted to capital expenditure. The staff effort involved in the Welsh Office Health and Social Work Department cost about £800,000.

### CURRENT SITUATION AND PROBLEMS

Two broad phases are involved in the planning of building projects. Service planning is the process by which options (not all of which may have capital implications) for meeting a particular service need are considered, and a decision taken to proceed with one option; project planning is the implementation of the decisions that have capital expenditure consequences.

The basis for service planning in the NHS in Wales was a requirement on AHAs to submit annually to the Department comprehensive plans for the development of services, covering 3 years in detail, and more generally on 10 and 15 year time scales. In practice, the planning system was not working satisfactorily - plans varied greatly and one AHA had produced no strategic plan since the reorganisation of the NHS in 1974. The role of the Welsh Office was also defective: there was no formal mechanism for approving plans and no all-Wales strategy had been produced.

The framework for project planning is the Health Service Planning and Building Guide ('Capricode'). For each major project, a project team is established to manage the scheme through the set Capricode procedures. Welsh Office officials were closely involved in project team work. At the time of the



study, there were 20 project teams in existence, meeting at 4/6 week intervals; attendance at meetings could be 40 on occasion. The relationships between the Department, AHAs and WHTSO were ill-defined and led to tension and duplication of effort. The Welsh Office exercise financial control over projects by requiring submissions at set stages of Capricode: this control process could be a lengthy procedure and led to criticisms of double checking and too close an involvement by the Department. The objective of the scrutiny was, bearing in mind the Secretary of State's responsibilities as a Health Minister and the Permanent Secretary's duties as Accounting Officer, to achieve a reasonable and balanced role for the Department in the monitoring and control of projects.

#### RECOMMENDATIONS

New planning system of strategic plans and operational programmes, based on financial appraisal of options. Department to approve plans formally. Change in 'interface' between service and project planning.

Welsh Office withdraw from project teams; changes in responsibilities of AHAs and WHTSO. Less detailed checking of schemes: raise threshold of delegated financial authority (and review Treasury delegated threshold).

#### POTENTIAL SAVINGS

a Absolute

£92,000 (5½ posts)

b Proportionate

14 per cent

#### COST OF SCRUTINY

£8,305



## NORTHERN IRELAND CIVIL SERVICE AND THE NORTHERN IRELAND OFFICE

### FINANCIAL ADMINISTRATION IN NORTHERN IRELAND

This scrutiny examined the arrangements for the allocation, management and control of financial resources, both centrally and departmentally, within Northern Ireland Government Departments and the Northern Ireland Office (NIO). Radical proposals for change in many facets of present organisation and practices were made, including a major realignment of responsibility for resource planning and administration.

### MAGNITUDE/SCOPE OF SCRUTINY

The scrutiny embraced the services covered by Programme 15 of the Public Expenditure Survey. The planned total amount of Programme 15 for 1980-81 was £2136 million which included expenditure on "transferred matters" (approximately £1926 million) by the 8 Northern Ireland Departments, District Councils and other Public Bodies and on "reserved matters" (approximately £210 million) by the NIO. It was agreed at the outset that in order to keep the scrutiny within manageable limits the project should concentrate on key structural issues as opposed to detailed operational systems. Annual expenditure on departmental resource administration was found to be about £5.75 million.

### CURRENT SITUATION AND PROBLEMS

Prior to the introduction of direct rule in 1973, Northern Ireland operated under a "mini-Whitehall" system of Government, with a local Minister and Ministry of Finance recognisably responsible for central resource (both finance and manpower) allocation and control and for the overall efficiency of the NI Civil Service. Various developments over the years had, however, altered this traditional central role, eg

- a. the reorganisation of local government under which central Government Departments assumed responsibility for a much wider range of functions;
- b. the creation of a separate Department (Department of the Civil Service DOCS) with responsibility, inter alia, for manpower control and efficiency;



- c. the development within the Department of Finance (DOF) of a wide range of disparate functions largely unconnected with its main resource responsibilities;
- d. the separation of the post of the Head of the Service from that of Permanent Secretary of the Department of Finance;
- e. the creation of a ministerial post with both controlling and spending responsibilities;
- f. the unique position of the Northern Ireland Office in the Northern Ireland machinery of Government and its relationship to Northern Ireland Departments.

It was concluded that the fragmented arrangements operated by departments prevented the NICS from getting the administrative advantages of its relatively small size (some 25,000 non-industrial staff). The structure and functions of the central NI Departments (DOF and DOCS) were seen to be of crucial importance in the administration of public expenditure. It was considered that the present division of responsibility between these Departments was undesirable and that to be effective, manpower control should rest with responsibility for overall expenditure. The efficiency services of DOCS also suffered from being separated from financial control.

Insufficient central resources had been devoted to the all important financial planning process resulting in an inversion of the proper planning approach whereby diverse operational initiatives were translated into organisational objectives and thence into an overall strategy.

The arrangements for scrutiny of expenditure proposals and for monitoring progress of expenditure were duplicative in that Treasury Group of DOF and individual departmental Finance Divisions (where they existed) attempted to perform the same function. Treasury Group could not, because of their structure, apply any wider considerations than could be brought to bear at departmental level and their influence on departmental expenditure was questionable.



Departments themselves were not uniformly equipped with a financial capability and there were weaknesses and omissions in key areas. Nevertheless the collective expertise of departmental Finance Divisions outweighed that available to the centre which meant that these scarce skills were more devoted to departmental than to regional interests. Techniques of financial management were underdeveloped and insufficient use was made of modern investment appraisal tools such as cost benefit analysis, risk analysis etc. Office methods and systems in many finance organisations were outdated and expensive and little or no attempt had been made to achieve the obvious advantages of automation in this area.

#### RECOMMENDATIONS

The study team recommended the creation of a central "Treasury" Department with sole responsibility for financial administration efficiency. The new Department should -

- a. have no operational programme responsibilities (ie no direct spending functions);
- b. at official level, come directly under the control of the Head of NICS and a full-time financial Permanent Secretary, who together would be responsible for the co-ordination of both policy and finance;
- c. provide a strong liaison link at an appropriate level with the NIO for the co-ordination of financial aspects of transferred and reserved services;
- d. incorporate the existing central finance (DOF) and manpower (DOCS) functions;
- e. assume responsibility for the management of present departmental finance and accounting staff and functions;
- f. include the existing DOCS Staffing and Management Services Divisions, Work Study Branch and the "new technology" advisory service of Computer Services Division (including the ADP planning function);
- g. incorporate, as part of the planning and evaluation machinery, the Economic Section of the Central Economic Service.



Under these proposals existing Departmental Finance Officers would be withdrawn to the new Treasury Department to form the nucleus of a financial management and advisory group, managing and working through their finance divisions outposted to Departments.

#### POTENTIAL SAVINGS

While the exercise was more concerned with structural issues than with staff savings, some savings in posts may however result from the proposals and, in addition, the implementation of the recommendations will permit consideration of the service-wide computerisation of accounts work. There is no doubt that considerable savings could be achieved by such an exercise - these are not capable of evaluation at this stage but could be of the order of millions of pounds within a few years.

#### COST OF SCRUTINY

The approximate cost of the scrutiny was £30,750.



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

DHSS ACTIVITIES IN SUPPORT OF HEALTH CARE EXPORTS

This scrutiny examined the adequacy, cost, efficiency and effectiveness of DHSS activities in support of health care exports (except the Pharmaceutical Price Regulation Scheme).

MAGNITUDE/SCOPE OF SCRUTINY

Narrow but noticeable area of DHSS marketing - affects FCO, D/Trade, D/Industry, NHS, trade and professional associations and foreign governments.

CURRENT SITUATION AND PROBLEMS

United Kingdom industry and professions sell abroad pharmaceuticals, medical equipment and supplies, hospital design, consultancy and construction services, and this realises £1,000 million gross, or £600 million net of imports.

The British Health Care Export Council (BHEC) has been established since 1964, to assist this process. It is a small ineffective organisation of 250, mainly equipment manufacturing companies.

DHSS spends around £600,000 per annum in direct promotion and support of export activity, concentrating on medical equipment and hospital design.

The commercial benefits arising directly from DHSS export activities cannot be pinned down. The general feeling in industry is that public expenditure is justified. The team judged that the main DHSS export effort, run by Industries and Exports Division (IED2), was cost-effective, but not "Health Building Overseas" (HBO).

The DHSS effort aims to build on the high regard held for the NHS by many overseas governments, and provide ease of contact on a Government to Government basis. In the past DHSS have played a special role in assisting industry to gain specific items of export business. But times have changed and there are problems. Those consulted felt that DHSS activities had outlived their



usefulness. The absence of a well-defined and explicitly stated and accepted strategy has wasted resources, and also makes measurement of performance and success difficult. There has been duplication of activities between IED2 and HBO, and between these and FCO, Trade, British Health-Care Export Council and individual companies, and insufficient co-ordination in setting up national export drives. The market reports of IED2 staff are often never used by industry who need more specific knowledge. DHSS should be better acquainted with the home industry and its requirements and capabilities.

The work of "Health Building Overseas" has not led to any major contracts in hospital building. Companies question the competitive stance of HBO: in trying to 'lead from the front', they risk taking the bread out of the mouths of the private sector; and where few, if any, British contractors are actively seeking major hospital contracts, their work can be counter productive.

United Kingdom companies have been relatively unsuccessful in winning health care export orders. Industry, through its representative bodies, needs to identify the exportable products, back the "winner" companies and be much more selective in exploiting defined overseas markets.

#### RECOMMENDATIONS

##### a. Action

DHSS activities (and staff costs) should be drastically curtailed and the export lead should be switched from the public sector to the private sector as follows -

1. A health care exports team be established in DHSS to assist industry to formulate and carry out a health care exports strategy for the 1980s. The team should be small and able to recruit flexibly and report direct to the DHSS Deputy Secretary in charge of exports policy.
2. British Health-Care Export Council should be expanded to take on more specific export functions on behalf of industry, especially those presently done by DHSS, and provide the link between the health care industry and government where partnership required between BHEC and DHSS exports team.



3. DHSS should assist BHEC expansion for a transitional period no more than 3 years. DHSS should make space available in a London Teaching Hospital to house a new working administration and NHS display centre.

4. Association of British Pharmaceutical Industry and Proprietary Association of Great Britain should be encouraged to extend more of their exports activities to include DHSS and BHEC and associate themselves with a health care exports strategy for the 1980s.

5. DHSS should gradually phase out its present export activities as the health care exports strategy for the 1980s is developed and implemented, and in any case by mid-1982.

b. Further Study

None, though development of a health care exports strategy for the 1980s itself will be continuing, necessitating much research and planning.

POSSIBLE SAVINGS

a. Absolute

When fully implemented £ $\frac{1}{2}$  million per annum from 1982. Saving of 24 staff.

b. Proportionate

Approximately 85 per cent of current resources.

COST OF SCRUTINY

£13,300.



## DEPARTMENT OF HEALTH AND SOCIAL SECURITY

### THE VALIDATION OF NATIONAL INSURANCE CONTRIBUTION RECORDS

This scrutiny looked at the way in which national insurance contributions are checked, followed up and recorded and the scope for, and implications of relaxing these procedures.

#### MAGNITUDE/SCOPE OF SCRUTINY

The total administration costs of the National Insurance Fund are about £460 million of which about £40 million is spent on checking contributions and following up those which fail. Four separate legs of DHSS are involved in checking - Newcastle Central Office, DHSS HQ, Regional Offices and the local offices. Each year a million employers submit 38 million records for 25 million employees. In addition, another 1.9 million Class 2 and 3 contributions (see below) are received.

#### CURRENT SITUATION AND PROBLEMS

Under present arrangements, employed people pay Class 1 national insurance contributions, which are earnings-related and deducted by employers (who also pay a share of the contribution). Contributions are collected through the PAYE system by Inland Revenue. At the end of the tax year, employers submit deduction cards showing the amount of contributions deducted for each employee. Contributions are recorded by DHSS' Newcastle Central Office in a computerised account for each individual. Self-employed people pay a flat-rate Class 2 contribution, and people who have not paid enough contributions to qualify them for pension purposes can make up their records by paying (voluntary) flat-rate Class 3 contributions.

Entitlement to contributory benefits, of which the retirement pension is the most important, depends on the amount of contributions recorded in the individual's account. To make sure that the records are as correct as possible (and, as far as can be done, that the right contributions have been paid) a series of computer checks is carried out on contributions.

#### The Ratio Check

The ratio check aims to confirm that the employee's share of the contribution



(which is what counts for benefit purposes) is in the right proportion to the total. About 400,000 items fail the ratio check each year, and after 1981 (when employers' deduction cards will record annual totals only) most of these will require a visit. Although the check is only rough, nothing better is possible so long as there is no constant relationship between earnings and the amount of contribution due (i.e. liability non-cumulative and subject to an upper earnings limit). There is, however, scope for streamlining procedures.

#### Non-Matching Items

About 2 million contribution items each year need tracing action by DHSS or Inland Revenue to find the account to which they should be credited. This may be because the employer has not recorded his employee's national insurance number or because the name given does not match the number. Basic procedures are sound, but a more robust approach could be taken to the amount of detective work which should be undertaken. In addition, the tolerances on the amount of contribution involved before more elaborate tracing action is taken could be raised.

#### The Compatibility Check and Refunds

Each year about 700,000 contribution items are put out to DHSS local offices because the type of contribution paid by an employee seems inconsistent with his or her liability as recorded on the computer. Most of these involve married women and widows with the right to pay reduced rate contributions ("with a valid election") who have paid full rate. Others involve people over pension age who have no liability, but who have paid contributions. Considerable savings could be achieved by abolishing the check for all but a small group of contributors. Instead, contributors would get an end-of-year statement from their employers and would be expected to check themselves (with the help of an easy-to-read leaflet) what kind of contribution they had paid. Married women with a valid election who had paid full-rate contributions and wanted them to stand, so that they could get contributory benefit rights, would be able to do so (instead of having to apply for a refund as at present) provided they revoked their election. If they went on paying the full rate without revoking, the excess would be refundable (up to 6 years), but would not entitle them to benefit.



Refunds of wrongly paid contributions could be made by DHSS local offices instead of by Newcastle Central Office. This would yield appreciable savings.

#### Other Checks

Follow-up of nil contribution notices, (which are issued to people who look as if they should be paying Class 1 contributions but have not done so) could be discontinued, as this is a blunt instrument for compliance purposes. Follow-up of self-employed people who have paid insufficient contributions should on the other hand be strengthened, as recent relaxations to achieve staff cuts seem to have been a false economy.

#### Local and Regional Offices

The work of the two sections in DHSS local offices which deal with contributions might be more closely integrated, although some preliminary study is needed to see how this would work. Some local office tasks seem to be over-graded and there could be scope for involving more junior officers in visiting work. The rigid arrangements for visiting every employer once every five years to inspect his records looks inefficient and might better be replaced by concentrating on employers who seem to be "at risk" from the error or evasion point of view. The way in which local offices are staffed for contributions work needs to be reviewed to see if it reflects work patterns and operational needs.

The role of the DHSS Regional Office in processing or passing on contributions casework could be abolished. Matters requiring real expertise could go from a local office direct to Headquarters, while those which require what is essentially a management decision could be dealt with by local office management grades without further referrals.

#### Publicity and Communication

The importance of the national insurance number is greater than can be conveyed by the present flimsy number card issued to school leavers and others. Greater impact would be made by a properly-designed plastic card, backed up by a publicity campaign to stress the importance of the number.

#### RECOMMENDATIONS

##### a. Action

Of eighty-two recommendations, most are for specific action over the next few years and many of them would yield immediate savings. The most radical



are for the abolition of the compatibility check and shifting the onus for checking onto the contributor. A more robust approach towards tracing non-matching items is recommended, together with a new style national insurance number card, and associated publicity, to cut down the number of such items. The transfer of responsibility to local offices for refunding wrongly-paid contributions is recommended.

At the local office end, recommendations include abandoning nil contribution notice follow-up and strengthening Class 2 compliance action. The scrutiny recommends, in addition, a review of complementing arrangements for local office. The withdrawal of Regional Offices from contributions casework is recommended.

b. Further Study

Feasibility studies on the possibility of linking the output of ratio check failure and no-number non-matching items and a pilot study of more integrated arrangements within DHSS local offices for dealing with contributions work are recommended. In addition, the scrutiny recommends a thorough review of leaflets and other DHSS communications with the public on contributions with a view to making the language less obscure and bureaucratic.

POTENTIAL SAVINGS

Absolute

£15.3 million p.a. (1810 staff) plus once and for all cost of £1 million.

Proportionate

38 per cent.

COST OF SCRUTINY

£18,500



## DEPARTMENT OF TRADE

### REVIEW OF THE PATENT OFFICE

The scrutiny examined the administration of the Patent Office and the Industrial Property and Copyright Department (IPCD), with special reference to the suitability of the traditional financial and staff control arrangements in force.

### MAGNITUDE/SCOPE OF SCRUTINY

The scrutiny was concerned principally with the efficiency of the administration of the Office and its operations; the main aspects subject to examination were organisation, management, procedures, working methods, finance, computerisation and accommodation. The team also considered certain broader issues, notably in the case of Trade Marks where EEC harmonisation proposals are under discussion and new legislation is in prospect and in the case of Industrial Designs where the policy on copyright and protection for industrial designs is under review.

In 1979 the cost of the Patents Branch was £13.3m offset by a fee income of £14.7m. The Branch employs 946 staff and the current workload is estimated to be approximately 40,000 applications leading to about 29,000 requests for search and examination. The Trade Marks Branch employed 201½ staff at a cost of £2.1m and received £2.3m in fee income. In 1979 17,221 applications were filed, 10,036 Trade Marks registered and 16,893 renewed. The Industrial Designs Branch employed 21 staff at a cost of £273,914 and in 1979 collected £293,503 in fees; processed 5,100 applications and renewed 2,325 registrations.

### CURRENT SITUATION AND PROBLEMS

Patents: the function of the Office is to examine the patentability of inventions against the criteria laid down by the Patents Act 1977, to require any amendment to the area of monopoly that might be claimed and to publish the details of the invention in question. The procedure is necessarily lengthy and complex and in the case of applications without a previous priority date the processing may take up to 3½ years from filing to grant.



Trade Marks: the Trade Marks Branch examines applications for registration to ensure that they conform to the requirements of the 1938 Act and maintains the public register of Trade Marks. At present it takes about 12 months to complete the registration process.

Industrial Designs: the function of the designs register is to consider the registerability of new designs in accordance with the Registered Designs Acts 1949 - 1961.

Other activities: the Office and the Industrial Property and Copyright Department carry out a number of non-statutory activities, including the sale of patent specifications, the publication of reports etc; they are also responsible for advising on policy on Patents, Trade Marks Industrial Designs and Copyright and for covering international aspects in these fields and providing representation where required.

Since December 1979 the European Patent Office (EPO) has been in full operation and it is now open to applicants to file either with a national Patent Office or with the EPO, designating such European countries as required.

The scrutiny disclosed a number of serious underlying problems which either inhibited the efficient working of the Office or resulted in additional costs being incurred, some examples being the fragmented nature of the organisation, the distraction of management by case work and professional responsibilities, and low morale, particularly among the clerical and executive staff, occasioned by staff shortages, backlogs, duplication of effort, poor working conditions and the specialised and repetitive nature of much of the work.

Many of the scrutiny team's recommendations, including a number proposing organisational and procedural changes, were aimed at alleviating and, if possible, removing such difficulties as well as improving operating efficiency. Particular emphasis was given to the potential benefits from the computerisation of Patents and Trade Marks administration and the introduction of advanced office machinery.



The Office also appears to provide - in both the patent and trademark fields - too excellent a service. Some responsibility could be passed back to the inventor by putting the onus of the decision as to how far the application should be processed firmly on to him.

Proposals were put forward for a substantial change to the present fee structure to relate fees more directly to the actual cost of services and other revenue earning activities and to increase the accountability of management. The possibility was examined of giving the Office a new financial structure (by converting it into a Trading Fund) to accord it a greater degree of freedom to plan its revenue requirements in relation to its costs and its investment programme.

In the case of accommodation, the team questioned the need to locate the Office or all its present range of activities in Central London in view of the high cost and the difficulty of finding suitable accommodation.

#### RECOMMENDATIONS

##### a. Action

The final Report contains 18 main recommendations, covering some 50 detailed proposals and suggestions for change. These can be categorised as follows:

- a. Operating efficiency - changes in procedures and working methods including the reduction of certain activities and the elimination of duplication; the computerisation of Patents and Trade Marks administration so as to reduce low-level clerical work.
- b. Practice - changes in examination procedure; a review of Trade Marks examination criteria; greater delegation for the settlement of cases.
- c. Organisation - the re-organisation of Trade Marks Branch; changes to the management structure; the creation of a new Administration Branch
- d. Finance - the revision of the fee structure; a new financial framework.



e. Physical resources - the improvement of accommodation; the possible relocation of Trade Marks Branch.

f. Policy - encouraging Patentees to exercise greater selectivity in prosecuting applications; the development of a closer and more complementary relationship between the British and European Patent systems; a review of the basis of the Trade Mark system with a view to simplification and preparing for EEC harmonisation; the abandonment of the present Industrial Designs registration scheme.

b. Further Study

The implementation of the Report will require a number of O & M, feasibility studies and the detailed investigation of a number of proposals, for example longer term accommodation needs, the conversion of the Office into a Trading Fund, the study of the UK's strategy in the light of EEC Trade Mark harmonisation proposals. It is also proposed that the future manpower requirements of the Patents Branch should be reviewed in 2-3 years when the impact of the EPO on the British Patents Office can be properly assessed.

POTENTIAL SAVINGS

a. Absolute

A target of £3.3m, mainly representing manpower savings, with a further £1.5m if the Whole Office were to be dispersed to a provincial centre (Note: the present complement is 80 below strength; actual savings would therefore be lower).

b. Proportionate

About 18.5 per cent in terms of staff (268 net savings out of an approved complement of 1,446) and about 15 per cent on total costs (1979 figures).

COST OF SCRUTINY

£21,100



DEPARTMENT OF ENERGY

ECONOMIC AND STATISTICAL SERVICES

This scrutiny examined the structure, efficiency and need for economic and statistical services within the Department of Energy. These services are in the main provided by EcS Division.

MAGNITUDE/SCOPE OF SCRUTINY

There are 98 staff currently in post in EcS Division. Costs which can be readily affected by changes in staff numbers or functions amount to £1.3 million. Total costs, including accommodation, are £1.8 million.

CURRENT SITUATION AND PROBLEMS

Over half the costs are attributable to the collection, preparation, dissemination and publication of fuel statistics, together with the provision of computer services. The other half is attributable to the provision of economic advice covering the whole energy sector. This includes energy and fuel forecasting, international energy developments, North Sea oil and gas, oil product and gas marketing, and coal, electricity, nuclear and conservation analysis.

The contribution of EcS is essential to the effective operation of the Department given the large and often complex economic, financial and fiscal implications of energy policy decisions. Scope was, however, found for improving forecasting methods and economic and financial appraisal.

Different parts of EcS were found to have operated for a considerable time at markedly different standards of efficiency and effectiveness. Many examples were encountered of staff being unaware of costs and some staff were demoralised.

Within existing commitments, scope was found for staff savings, especially if working methods were improved and more computerisation introduced. The standard of computer staff was found to be low and they had a high rate of turnover. Because of the poor computer back up, some staff were forced to do their own programming. There was also insufficient clerical support in some divisions.



Some statistical publications were being circulated free of charge and some statistical surveys (most notably international returns) were found to be of doubtful value.

#### RECOMMENDATIONS

1. Efforts should be made to improve management control by -
  - i. renewed effort to bring about key staff changes at senior levels;
  - ii. increasing awareness of the costs of the division's operations;
  - iii. a thorough follow up review in 2-3 years.
2. Regrading and reallocation of certain staff to better reflect needs of work (upgrading of some computer staff; downgrading of some others).
3. Vigorous review of need for international statistical returns and streamlining of others.
4. An appropriate charge should be made for publications.
5. Better and quicker computerisation.

#### POTENTIAL SAVINGS

##### a. Absolute

£165,000 (9 posts) [Also a big improvement in value for money and benefits to industry from reduction in returns.]

##### b. Proportionate

12½ per cent of total costs.

#### COST OF SCRUTINY

£7,500.



DEPARTMENT OF EDUCATION AND SCIENCE

THE ADMINISTRATION OF STUDENT AWARDS IN ENGLAND AND WALES

This scrutiny examined the administrative arrangements employed by the Department of Education and Science (DES) and others for making student awards in England and Wales, their cost and efficiency.

MAGNITUDE/SCOPE OF SCRUTINY

Wide - affects central and local government, Research Councils, universities etc and professional institutions. Impinges on wider policy issues of student loans, and transfers of functions to or from central government. Public expenditure on student awards high - £740 million at all levels in 1979-80.

CURRENT SITUATION AND PROBLEMS

The present system of paying student awards at undergraduate level has its origin in the Anderson Committee Report of 1960 and has its statutory basis in the Education Acts of 1962 and 1975. Local Education Authorities (LEAs) have a duty to make awards, known as mandatory awards, to suitably qualified persons ordinarily resident in their area, who are admitted to first degree or comparable courses. Since 1974 a 90 per cent specific DES grant has been paid on expenditure by LEAs on mandatory awards, leaving 10 per cent to be met by rates. LEAs also have discretion to make awards to other persons, and for other further education courses, and such expenditure is relevant for Rate Support Grant in the normal way.

An estimated £8.59 million (excluding unquantified computer costs) was spent by LEAs in 1979/80 on the administration of all awards, while £0.14 million was spent by DES on advising LEAs.

Postgraduate awards are almost entirely administered by central government and the Research Councils, and central government also administers awards to students of the professions supplementary to medicine (DHSS), prospective probation officers (Home Office) and students at long-term residential colleges of adult education and National Engineering Scholars (DES).



There are considerable variations in administrative costs per award - from an estimate in the region of £25 for DHSS, the Scottish Education Department and for LEAs taken together (all of these administering awards which are predominantly at undergraduate level or below) - to figures in the range of £150 to £210 for postgraduate agricultural students at MAFF and the ARC, and potential probation officers at the Home Office. There is also a great variation between LEAs in the cost of administration - on the whole, it would appear that the larger the LEA's case load, the more efficient the 'case worker' in handling more awards, but the relationship is not true of all cases.

This variation, and the dispersed nature of all the award-making bodies, present a potentially fruitful and problematic area for investigation.

#### RECOMMENDATIONS

##### a. Action

1. Smaller LEAs be invited to pool their administrative resources, eg sharing computer programs, and the "least efficient" be brought up to the "average" standard. Explore with local authorities. (£0.75 million).
2. A comprehensive guide to Awards Regulations be provided to LEAs, and a tough line then taken on handling LEA enquiries (small).
3. Bring variations in Central Government's costs and type of administration to attention of all concerned, so consideration might be given to the possibilities for achieving savings.
4. Transfer from award-making bodies to universities and colleges the payment of post-graduates expenses on fieldwork placements, conferences and foreign travel (£123,000).
5. Designate as mandatory, awards in 5 of the courses supplementary to medicine and thus transfer responsibility from DHSS to LEAs (£228,000).



6. MAFF to be invited to co-operate with the ARC for 'post-awards' administration (£15,000).

7. Revise present approach to the printing schedule for the DES booklet "Grants to Students" (£14,000).

8. Develop a computerised records and payments system to meet the needs of Awards Branch, DES.

9. Awards by DES for study at Business Schools to be transferred to SSRC.

10. Study how an institutions-based selection scheme for National Engineering Scholarships could be set up (£24,000).

b. Further Study

1. Consider scope for centralising administration of mandatory awards.

2. DES consider abolition of state studentship competition.

3. Central bodies to consider the establishment of a Common Services Unit for "post-award" activities.

POTENTIAL SAVINGS

a. Absolute

Difficult figures and calculated on a number of broad assumptions and estimates given as between £1,108,000-1,154,000 on 'Action' recommendations, but of this £750,000 to be saved by LEAs. If the "further study" proposals were implemented the upper limit of the potential savings could be extended to some £1,923,000. This estimate, however, includes a possible public expenditure saving of £1 million to be made by transferring responsibility for the administration of mandatory awards from LEAs to a central agency: in these circumstances central government costs will be likely to rise even though the increase should be more than balanced by the fall in local government costs.



b. Proportionate

Given as approximately 20 per cent, but 10 per cent of this saved by LEAs.

COST OF SCRUTINY

£11,329.



## DEPARTMENT OF TRANSPORT

### THE ENFORCEMENT OF VEHICLE EXCISE DUTY

This scrutiny examined arrangements within the Department of Transport (DTp) for enforcing payment of vehicle excise duty (VED). It made recommendations for improving the efficiency of these arrangements in order to increase the revenue recovered from evaders, and also to increase the deterrent effect. It suggested changes in the tax which would make evasion more difficult, and improvements in vehicle registration arrangements which would make it easier to trace evaders.

### MAGNITUDE/SCOPE OF SCRUTINY

Sensitive area of activity employing 700 staff, mainly in clerical grades, at a cost of £4.74 million. Scrutiny carried out against the background of Minister of Transport's announcement in November 1979 that VED was to be retained and enforcement was to be stepped up.

### CURRENT SITUATION AND PROBLEMS

#### The system of Enforcement

VED is a tax on the use of a vehicle. VED evasion could not be measured precisely, but estimates suggested that about £110 million could be lost in 1980-81, compared to a total yield of £1,400 million. Action against a VED evader could be contemplated only on the basis of a report of apparent unlicensed use. In 1979, DTp received some 900,000 reports, mainly from the Police (including traffic wardens). About one third of these reports named the offender; they were relatively easy to conclude successfully. The remainder provided only the registration mark of the unlicensed vehicle and the date of the offence, and it was often difficult to trace the offender.

4. The pursuit of an alleged evader involves checking the computer record at the Driver and Vehicle Licensing Centre (DVLC) at Swansea to ascertain whether an actionable offence had been committed; offering a mitigated penalty where less than 6 months back duty was owed at the time of the offence; tracing the keeper of vehicles cited in unnamed



reports, and obtaining payment of a mitigated penalty or a statement for use in legal proceedings; laying information against an offender and delivering a summons; and prosecution in a Magistrates' Court. In 1979, 69,000 mitigated penalties were paid, and there were 100,000 successful prosecutions. £5.55 million in fines and back duty was recovered from evaders.

Operational responsibility for enforcement is divided between DVLC and specialist staff in 51 out of 76 Local Vehicle Licensing Offices (LVLO) outside London; within London, enforcement is the responsibility of the London Enforcement Office (LEO). In many counties, the Police provide valuable help in tracing and prosecuting offenders, but it was not possible to estimate their costs. Nor was it possible to assess the cost to the Courts.

#### DVLC and LVLOs

DVLC receive offence reports, check the record and assemble case papers to pass to the LVLOs to pursue offenders. In 1979, about 600,000 reports arose outside London. DVLC were able to check the majority and about 350,000 revealed actionable offences, but the LVLOs were able to pursue just over 200,000 (successfully in over 70 per cent of cases). The division of responsibility between DVLC and the LVLOs risks duplication of work and misallocation of resources. Nevertheless, DVLC and the LVLOs have been improving their performance in recent years: in 1979, they recovered £4.36 million at a cost of £2.58 million. The LVLOs needed more staff in order to cope with the majority of actionable cases.

#### LEO

Within London, responsibility is divided between about 140 clerical staff in Offences Section at Sidcup who receive offence reports, check the record and assemble case papers as at Swansea, and also carry out mitigated penalty work as in the LVLOs; 75 Inquiry Officers working from home and responsible for tracing unnamed offenders; and 13 Authorised Officers (responsible for prosecuting offenders) with about 30 clerical support staff in Prosecutions Section at Hanover Street in the West End.



In 1979, LEO received about 300,000 reports; they enforced payment of only 9,000 mitigated penalties and carried out only 16,000 successful prosecutions. Only £1.2 million in revenue was recovered. Staff costs were £2.16 million. Large numbers of offenders who had given a statement to the Police were not pursued. LEO's performance had been deteriorating in recent years. Their difficulties were due mainly to the imbalance of resources between Offences Section, who could not cope with the volume of reports, and the rest of LEO, who were under-employed. Until April 1980, Offences Section was divided between Sidcup and 2 offices at Woolwich, and there were plans to review working arrangements following concentration.

#### Increasing the deterrent effect

The deterrent effect of routine enforcement was limited by the lack of publicity given to the detention and punishment of evaders. Experience showed that well-publicised special enforcement campaigns in co-operation with local Police Forces could generate sufficient revenue in fines and back duty to cover costs. There was evidence of higher than average re-licensing in the areas affected. The Police were able to detect a large number of associated offences, such as driving without insurance or a MOT certificate.

#### RECOMMENDATIONS

##### a. Action

Outside London, the report endorsed existing plans to increase enforcement staff in LVL0s, but pointed out that most of the additional work would involve processing a larger proportion of the more difficult unnamed reports, and recommended the development of means of sifting these reports to ensure that priority went to the most straightforward and productive in revenue terms. The report argued that it should be possible to increase revenues without increasing costs by decentralising all enforcement to the LVL0s, but that there should first be a pilot scheme involving 2 or 3 LVL0s to establish whether this would be worthwhile. For London, the report recommended that the number of staff at Sidcup should be increased by reducing the number of Inquiry Officers and of clerical staff at Hanover Street, and various changes in work methods at Sidcup. These recommendations were intended to enable



LEO to raise their throughput to match the levels achieved by the LVLOs. Finally, the report recommended that DTP should attempt to involve local Police Forces in a rolling programme of special enforcement campaigns.

b. Further Study

The report pointed out that it was cheaper to conclude a case with payment of a mitigated penalty than to prosecute an offender, and recommended that DTP should explore the possibility of discounts for prompt payment, and warnings to offenders that refusal to pay a mitigated penalty would be drawn to the Courts' attention in the event of conviction. Cases involving unnamed reports were hardest to bring to a successful conclusion, because of the difficulty of tracing the offender. A more reliable record of vehicles and keepers would make this task easier. The report suggested ways of improving the record by changing vehicle registration arrangements, and recommended that DTP should explore these suggestions. The report endorsed the current proposals to change VED to a tax on possession as a means of making enforcement easier, but argued that the full benefits could be realised only in conjunction with improved registration arrangements.

POTENTIAL SAVINGS

a. Absolute

Net extra revenue and savings would accrue as follows -

	£m
Raising LEO to LVLO standard	3.0
Extra enforcement effort	1.1
Possible transfer of work from DVLC to LVLOs (rough estimate)	0.6
Rolling programme of enforcement campaigns (rough estimate)	0.6
	<u>5.3</u>

These figures take no account of increases in revenue from increases in the deterrent effect.

b. Proportionate

The above gains would approximately double existing revenue from enforcement.

COST OF SCRUTINY

£10,415



## DEPARTMENT OF TRANSPORT

### REVIEW OF ROADS AND BRIDGES: STANDARDS AND CERTIFICATION

This scrutiny examined whether the resources devoted to setting standards for the building of roads and bridges and certifying that work conforms to those standards were reasonable and constituted value for money.

#### MAGNITUDE/SCOPE OF SCRUTINY

The scrutiny examined in depth the work under the command of the Chief Highway Engineer and superficially the work of the Highways Programming Contracts and Land Directorate and the Highways Planning and Management Directorate.

The total staff costs of the Roads and Local Transport Group is £12.3m of which £5.4m is attributable to the Chief Highway Engineer and of this about £4.4m is concerned with standard setting and certification plus £2.6m which is spent on commissioned work. The cost of the Transport and Road Research Laboratory (TRRL) is £10.5m.

The planned expenditure on the construction of motorways and trunk roads for the United Kingdom in 1980-81 is £225m. The cost of the preparation and supervision of new trunk roads and motorways is £51m. The total "on-costs" are therefore in excess of 30 per cent and that attributable to standard setting is about 3 per cent. The total length of the public highway in England is of the order of 250,000 km, of which the Secretary of State is responsible for 10,000 km or 4 per cent. These, however, carry about 30 per cent of the traffic.

#### CURRENT SITUATION AND PROBLEMS

The work of Department of Transport in this field arises from the responsibilities of the Minister for safety (enshrined in various Highway Acts); for ensuring that no common law liability for negligence can arise in the execution of new works; and for ensuring that the taxpayer's money is well spent.



It is clear that the term 'safety' is difficult to define and depends upon the general acceptability of a particular risk. Whereas virtually absolute safety is being sought for structures on roads, driving itself carries one of the highest degrees of risk of all ordinary occupations - nearly three times that of coal mining.

It was concluded that over the years, the centre has lost much of its professional expertise. Those at the centre who are responsible for drawing up and operating the procedures take too little account of what happens in practice and decide too much without involving users except in a passive role. As a result the system of standards and certification has encouraged a negative approach and has become too mechanistic. The staff effort devoted to it is disproportionate to the benefits.

There is little sense of urgency, with no programme of work with real time scales or real evaluation of benefits. The interface function between the Road Construction Units (RCUs) and TRRL was considered to be largely unnecessary and some of the work might be transferred to the TRRL which itself should also be examined.

#### RECOMMENDATIONS

Some work should be transferred to RCUs; procedures should be simplified. Emphasis should be on monitoring rather than control. The centre should become more the servant than the master and an effective customer/contractor relationship should be built up. Several branches should be amalgamated: this should improve the work and still give adequate support to the Minister.

#### POTENTIAL SAVINGS

a. Absolute

At least £1m per annum (60 + posts).

b. Proportionate

About 14 per cent.

#### COST OF SCRUTINY

£8,700





MAJ MAP to SA  
MS  
QUEEN ANNE'S GATE LONDON SW1H 9AT 23/4

22 April 1981.

Dear Michael

In your minute of 2nd April to the Prime Minister (copied to other Cabinet colleagues) you mention how you are hoping to regroup D.O.E's offices in central London from 11 at present into three over the next two years.

As you know, I am particularly anxious to make similar progress quickly in bringing together into one building, convenient to my Queen Anne's Gate headquarters, the Prison Department headquarters staff who are at present spread over four buildings in central London. We are already in correspondence on a specific proposal which I believe would suit our purposes very well.

You may count upon my personal support and the close attention of my officials to the rationalisation proposals which P.S.A. have made for our other central London buildings, although those so far put to us do not promise any substantial reduction in the number of our major holdings of accommodation.

I am sending copies of this letter to the Prime Minister, other members of Cabinet, Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

Yours sincerely  
John Major





MAP (O/R)

to see

M5

*From the Secretary of State*

Rt Hon Michael Heseltine MP  
Secretary of State for the  
Environment  
Department of the Environment  
2 Marsham Street  
London  
SW1P 3EB

22/4

21 April 1981

*Dear Michael,*

I very much agree with the views expressed in your note of 2 April to the Prime Minister about the need to keep up the momentum on the rationalisation of the Government office estate.

From our earlier correspondence you will be well aware of my plans to move my Export Services Division from Export House in the City to my Headquarters at 1-19 Victoria Street. With very little expenditure we can concentrate our export activities in this building as recommended by Sir Derek Rayner, so releasing a considerable amount of space in the City. This will achieve not only a significant improvement in the efficiency of our export work, but also very substantial savings for the Property Services Agency.

I consider it essential to push ahead with this scheme, which is so obviously cost effective. I assume from our earlier exchange of correspondence, and what you now say about the discussions which your officials are having with the Treasury, that the inevitable, but comparatively modest, funding that will be involved will not present a problem.

I am copying this letter to the Prime Minister, other members of the Cabinet, Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

*John Biffen*  
JOHN BIFFEN



ao?

Prime Minister

1.

PRIME MINISTER

Yes please mb

More good scrutiny work in DHSS. At first sight, the results look to be less potentially controversial than previous DHSS studies. Can we add your congratulations to Mrs Chalker and the team?

MAR 16/4

1980 SCRUTINY PROGRAMME: VALIDATION OF NATIONAL INSURANCE CONTRIBUTION RECORDS (DHSS)

1. You asked me to take a particular interest in this scrutiny on your behalf. I enclose a synopsis of the report and a copy of my letter, and commentary, to Mrs Chalker, for you to read at leisure.
2. This is the fourth excellent piece of work by DHSS officials in a row. They have taken a complex and technical area of departmental activity, mastered the detail of its operations and proposed reforms which, to the outsider, look eminently sensible and promise a much stream-lined system of operation. This will be of benefit to the taxpayer (£15.3 million) and, importantly, to the staff who have to operate the checks and procedures.
3. I raise in my commentary a couple of wider issues - the case for abolishing both the upper earnings limit on contributions and the married woman's election to pay reduced rate contributions. I do so, not to diminish the team's proposals but to complement them.
4. Since completing the scrutiny, the team leader, Mr N L J Montagu, has been promoted to Assistant Secretary to work in the contributions area.
5. I am copying this to the Secretary of State for Social Services and to Mrs Chalker.

There would be more NI contributions on employer as well.

*Derek Rayner*

DEREK RAYNER

15 April 1981

Enc:





## CABINET OFFICE

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

15 April 1981

Mrs Lynda Chalker MP  
Department of Health and Social Security

*Lynda Chalker*

1980 SCRUTINY PROGRAMME: VALIDATION OF NATIONAL INSURANCE  
CONTRIBUTION RECORDS

1. Nick Montagu and his team of 2 Local Officers are to be congratulated on the excellence of their study. They have done well to cover so thoroughly this maze of checks and procedures and to produce a very readable and entertaining report, with well argued recommendations. It is another first class piece of work by your Department.
2. I am very pleased to hear that Nick Montagu has been promoted to Assistant Secretary and that he will be working in the contributions area, where he can put to good effect his scrutiny experience. I enclose a copy of a note I have sent him, together with my detailed comments on the report.
3. The report tells a disturbing tale of elaborate and wasteful procedures, excessive checking and nannying, duplication of effort, unnecessary functions and activities and inadequate delegation of authority to and within Local Offices. The identified savings of at least £15.3 million a year (1810 posts), representing around 40% of the present checking costs, are a measure of this and of the extent to which the system had, to use the report's words, "come to resemble a hulk encrusted with generations of barnacles". This is not said in criticism of the clerks operating the system but as a commentary on the system itself.
4. The scrutiny team, through their 82 recommendations, offer a more stream-lined, simplified, less staff-intensive and efficient system, though it will involve some rougher justice in places.
5. They have identified and sought to remove, such conspicuous and sizeable barnacles as the 'compatibility check' and Local Office follow-up of nil contribution notices. They have also taken care to smooth off those smaller imperfections in procedures which so often get overlooked as time passes but which can make all the difference to the smooth and efficient running of the system (eg proliferation of reminders, insufficiently targetted use of inspection and compliance staff, too much communication in writing rather than by telephone).



6. I am generally at one with what is proposed and hope that the report will receive your support and that of your Ministerial colleagues in DHSS and, in so far as the Inland Revenue is concerned, in the Treasury. What is said in paragraphs 8.12 - 8.29 on the intelligibility of forms and leaflets is already well taken by you, I know. I was glad to see that the report's recommendations on this are being taken forward in the DHSS contribution to the service-wide review of administrative forms.

7. In two areas however - the 'upper earnings limit' and the 'married woman's election' - the team have tempered their proposals, assuming that policy will be unchanged, because the issues were under separate consideration in DHSS. In the light of what is said in the report about the administrative complications that they cause, involving some 2000 or more staff in checks, I encourage consideration of their abolition. The enclosed commentary expands on this.

8. I look forward to hearing how you propose to implement the team's excellent recommendations and to receiving an Action Document.

9. I am copying this to Patrick Jenkin, Hugh Rossi, Geoffrey Otton and Nick Montagu. I am also copying this letter, and the synopsis of the report, to the Prime Minister. She has asked me to take a particular interest in this scrutiny on her behalf and she may therefore like to have this early warning of the results it may produce. We should agree soon on when and how she should be formally notified of the intended outcome. I enclose your copy of my minute to her.



DEREK RAYNER



"BROUGHT TO ACCOUNT"

Commentary by Sir Derek Rayner

The Report

1. I agree with the general thrust of the scrutiny report's 82 recommendations. Their implementation should produce a more stream-lined and efficient system, at a substantial saving to the taxpayer.
2. The report illustrates by telling examples what can happen when an administrative system is left too long without overhaul and makes what seem to me very sensible recommendations for change. A flavour of both can be found in these main recommendations:
  - para. 4.20: cutting out the issue of reminders and second reminders, described as producing a poor rate of return and risking duplicated work, in the follow-up of Non-Matching Items.
  - paras. 3.24 and 5.23: abolishing The Ratio Check Registry and those parts of the Refunds Group involved in making 'erroneous refunds', both of which are described as fulfilling a mainly post office role.
  - para. 5.9: abolishing the cumbersome and nannying 'compatibility check' by shifting onto the contributor the onus for checking the rightness of the sort of contribution deducted (but see below).
  - paras. 6.7 - 6.9: stopping what is described as elaborate, uneconomic and ineffective follow-up of nil contribution notices where the staff costs seem to outweigh the amount of money collected. (During implementation, however, I would advice careful monitoring of actual against projected staff savings and the proportion of notices satisfactorily cleared, as the arithmetic is rather finely balanced).
  - paras. 7.46 - 7.50: discontinuing Regional Office involvement in contributions case work, their role being "largely historical" and "symptomatic of the implicit lack of faith in the responsibility of local office management". (I found the arguments here entirely convincing and ones which I sense could be advanced against the work of regional offices in many areas of government).
3. The team's comments in Chapter 8 on the way in which the consciousness of the public on contributions matters can be improved are entirely sensible. The recommendation (para. 8.7) that a durable and attractive plastic National Insurance number card should replace the present flimsy cardboard one (described as being "very reminiscent of a public library reminder that a book is overdue") is a good example of sometimes having to spend to save.



## Some Wider Issues

4. In two areas - the "upper earnings limit" and the "married woman's election" - the team have tempered their proposals, on the assumption of unchanged policy, because the issues were under separate consideration in DHSS.

5. The report remarks (para. 3.11) that if the 'upper earnings limit' on contributions were abolished it would achieve a tremendous simplification. It would mean that the 'ratio check', described as "complex, expensive and imperfect" and employing 550 staff, could go. And I understand that other checks could also be abandoned, saving several hundred more posts. This compares with the savings of 45 staff which the scrutiny team were able to identify, given the policy constraint of a continued upper earnings limit.

6. I would encourage Ministers to go for abolition. I recognise that it would be politically sensitive and, without tax adjustments elsewhere, would raise income distribution problems. But such problems should be surmountable through, perhaps tax changes elsewhere. And the prize would be a staff saving of many hundreds, worth several million pounds.

7. With regard to the administrative complications caused by the married woman's election to pay reduced contributions, the scrutiny team, assuming unchanged policy and the continuation of election, have drawn up an attractive package of reform (Chapter 5) which offers scope for very substantial staff savings. It seems absolutely right to shift onto the contributor responsibility for checking the rightness of the sort of contribution deducted. And the various recommendations in support of this (eg easy to comprehend explanatory leaflet, quadrennial statements, use of the P45 and P60, etc) seem sensible and internally consistent.

8. I do not want to discourage Ministers from going for the team's recommendations, though I recognise that it might mean grasping a painful nettle. However, I think that the case for abolishing 'election' altogether should be considered because:

- a. The staff savings would be bigger and more certain. The entire 1350 staff currently employed on the 'compatibility check' could be saved. This compares with the 810 - 950 staff savings scored in the report. But even these are there described as highly uncertain, being dependent on the assumption that 75 - 90% of contributors who are erroneously paying contributions will fail to raise a query with the Local Office. As the report says (para. 5.39) one is gambling on apathy.
- b. Since 1977, the election is being phased out (eg no new elections, loss of election on divorce) and thus abolition could be presented as merely bringing forward from the next century what was going to happen anyway.



- c. Abolition could be politically difficult but the report's recommendations are also somewhat sensitive. A particularly awkward proposal is that women who have paid full-rate contributions erroneously, but who fail to spot the error by the relevant dead-line should be denied benefit (para. 5.25). Such women might reasonably cry 'foul', especially given that it is also proposed to have a 6-year time limit on claiming refunds.
- d. It could also be awkward if it became known that the staff savings associated with the report's proposals were dependent upon the assumption of apathy. That could be interpreted malevolently as an attempt by the Government to avoid paying refunds of erroneously paid contributions.

9. All this is said not to undermine the scrutiny team's proposals in this area (which I support) but to put into perspective the case for the bigger policy change.

10. A middle course might be to implement the Chapter 5 recommendations as an interim measure pending abolition at a specified date in the near future.

DEREK RAYNER

15 April 1981



"BROUGHT TO ACCOUNT" - REPORT OF THE RAYNER SCRUTINY TEAM ON THE VALIDATION OF NATIONAL INSURANCE CONTRIBUTION RECORDS

SYNOPSIS

(Note: This synopsis is intended only as a quick guide for Ministers to the main themes and recommendations contained in the report. It is in no way a complete summary of the report's contents, and, for that reason, has not been bound into the report, as was originally envisaged. Chapter 10 of the report contains a full summary of recommendations, costed wherever possible, together with references to the relevant parts of the main text.)

CHAPTER 1. INTRODUCTION

Our scrutiny started on 13 October 1980, with the following terms of reference:

"To identify the total cost to public funds of checking and querying national insurance contribution items and to show how costs and responsibilities are divided; to consider whether the advantage to the public interest is such as to justify that cost; and to recommend such changes in procedures as seem desirable, having regard to efficiency, resource cost, the maintenance at an appropriate level of the integrity of the national insurance contribution record, and the responsibility of the Accounting Officer for the National Insurance Fund."

This was the fourth in the Department of Health and Social Security's (DHSS) second programme of "Rayner scrutinies". It was carried out over 90 days by three DHSS officials, at a cost of just under £20,000.

We made clear our readiness to consult the Trade Union Side of DHSS at all times, but the unions concerned adopted an official policy of opposition to the scrutiny. As a result, our success in obtaining information from junior staff varied from one DHSS local office to another, but we doubt that this affected the outcome of the scrutiny. We recognise the efforts of the unions to spare us personal embarrassment; and we acknowledge the enormous amount of help which we received in our discussions both outside and, in particular, inside DHSS.

Some of our proposals have implications for Inland Revenue documentation, to which Inland Revenue's initial reaction was unfavourable. But as the savings to DHSS heavily outweigh the (non-manpower) costs to Inland Revenue, we have not been inhibited by this.

CHAPTER 2. BACKGROUND TO THE SCRUTINY: AN OUTLINE OF PRESENT ARRANGEMENTS

In this chapter we describe the "new" national insurance scheme which was introduced in 1975. The immense complexity of the scheme and of arrangements for checking (which cost £40 million a year) has grown out of genuine attempts to protect rights and block loopholes, but over time the system as a whole has come to resemble a hulk encrusted with barnacles, some of which we try to scrape off.



Class 1 (employed earner's) national insurance (NI) contributions are earnings-related and, once a lower earnings limit is reached, are payable on all earnings - below and above it - up to an upper earnings limit. Contributions, unlike income tax, are non-cumulative - the amount to be paid in an earnings period (usually a week or a month) is determined by the amount of earnings in that period. This, coupled with the upper earnings limit, means that there can be no constant relationship between an annual earnings figure and the amount of contributions due, which in turn makes impossible any check on the rightness of a contribution as such.

Employees under pension age and employers each normally pay a part of the Class 1 contribution. The percentage of earnings payable by each is determined by the "category" of contribution, which in turn depends on the status, liability and type of employee and/or employer. For our scrutiny, the most important categories are those for certain married women and widows who have a right to pay lower contributions.

Entitlement to both short- and long-term benefits depends on the amount of employee's contributions paid in a year: for pensions, an "additional component" is earned if more contributions are paid in a year than are needed to qualify for the basic pension.

Employers record contributions (and tax) on deduction cards of various kinds which they send to Inland Revenue, or on magnetic tape, which goes straight to DHSS. Copies of cards are taken or retained by DHSS' Newcastle Central Office, who feed details into the computer for checking. Returns for a single employer's workforce are called "schemes" collectively, and individual contributions within a scheme are "items".

From 1981 new standard deduction cards will be introduced, showing annual totals of contributions only: this will mean more work (and 150 more staff) for DHSS to deal with ratio check failures (see below). A copy of the card will serve as an employee's end-of-year statement of tax and contributions deducted, and we use this as a peg to hang some of our main recommendations on.

Self-employed people pay flat-rate Class 2 contributions, and people who have not paid enough (or any) contributions to make the year qualify for long-term benefits can make up their records by paying voluntary Class 3 contributions.

The scale of the operation is vast, with a million employers putting in 38 million deduction cards for 25 million employees each year; in addition 1.4 million Class 2 and .5 million Class 3 contributions are received.

### CHAPTER 3. NEWCASTLE: THE FIRST CHECKS

The purpose of contribution checks is twofold - to ensure compliance by employers and to protect people's benefit entitlement by ensuring that their contributions are recorded on their computer account. When schemes are received at Newcastle deduction cards are microfilmed and punched for computer input, and the scheme is checked arithmetically to make sure that the total of individual contributions agrees with the total shown for the scheme as a whole: this is the reconciliation check.



Then the ratio check is carried out on items to confirm that the employee's share of the contribution is in an acceptable proportion to the total contribution: if it is not, a query is output. Some queries can be resolved clerically, but most will require a visit to the employer when all deduction cards record annual totals only.

The ratio check is rough, complex and probably not cost-effective; but as there is at present no possible check on the rightness of a contribution as such, we see no alternative to it. This would no longer be so if a proposal recently put to DHSS Ministers by officials - to abolish the upper earnings limit and base all contributions on a single percentage of earnings - were adopted.

We accept the need for a tolerance in the ratio check, and we believe that the dangers of degraded records have been exaggerated: as there are only a few different rates of employee's contributions (which is what counts for benefit) and in most cases only the amount of additional component of pension is at stake (and probably not much of that), the chances of catastrophic errors are kept down.

Local offices and Newcastle spend a lot of time and effort dealing with ratio check failures which have arisen because Inland Revenue have failed to mark a scheme as being an approved charity. Charities are exempted from paying the NI surcharge, but unless a scheme is marked as such, there will be a ratio check failure. To get round this, we recommend that the computer should be programmed to recognise and pass surcharge-exempt contributions which charities pay. We also recommend the disbanding of the Newcastle clerical section that prepares ratio check files for local offices and receives them back from them, saving 45 staff.

#### CHAPTER 4. NON-MATCHING ITEMS

A non-matching item (NMI) is an item received at Newcastle which cannot be matched to an account on the computer file, either because there is no NI number on the deduction card or because the name on the card does not match the name on the file under that number. About 2 million of these each year require detective work by DHSS Newcastle or local offices, or Inland Revenue, to get enough information to match the contribution to the account. We think that there might be savings in dealing with ratio check failures and no-number NMI's together, especially where there are a lot of NMI's in a scheme; and we recommend a series of feasibility studies to investigate this.

We also suggest a more robust approach to NMI's where enquiries of employee and employer (which we think should be by telephone wherever possible) fail to produce results or where the employee has gone abroad. In all these cases, we recommend that no further action to match the item should be taken.

Reminders sent out to local offices about uncleared NMI's should be dropped. A tolerance is applied before any NMI is output for investigation: we recommend further higher tolerances before more elaborate steps are taken to trace difficult NMI's.



## CHAPTER 5. THE COMPATIBILITY CHECK AND REFUNDS .

The compatibility check on the employee's contribution is to confirm that it is consistent with the contributor's liability as recorded on the computer account. If it is not, a query is output to DHSS local offices. Of 700,000 compatibility check failures each year, 500,000 centre on the right of some married women and widows to pay reduced rate contributions ("the married woman's election"), and 80% of these involve a refund of a wrongly paid full-rate contribution to women with a valid election. About 76,000 failures arise because employers have wrongly deducted employee's contributions for people of pension age.

We recommend the abolition of the compatibility check in its present form. Since the new standard end-of-year deduction documents given to employees will record NI contributions paid and in which category (and we recommend that non-standard documents and the form issued to leaving employees should do so too), we think that people could be left to check themselves that they had paid the right category of contribution. They would be helped to do so by a easy-to-understand leaflet handed out with the end-of-year documents (and backed up, initially, with an advertising campaign): if they had paid in the wrong category and their employer could not put matters right, they would be told to get in touch with their local DHSS office. If they had paid too much, they could claim a refund there; alternatively, married women who had wrongly paid full-rate contributions would be given the option (which they do not at present have) of letting them stand and revoking their election. Their contributions would then count towards benefits: reduced rate contributions do not. A woman who had paid full rate contributions but not revoked her election would not qualify for benefit, but could get a refund if she claimed it within six years.

DHSS would send contributors four-yearly statements of account, so that they could check that the contributions on their end-of-year statements had been recorded in their account. A six year time limit for applying for refunds would be retained.

Take-up of the procedures we recommend (ie just how many people will come to their DHSS office with a query) is unpredictable: even on 100% take-up there should be staff savings. On 10% take-up, which we think more likely, net savings would be 950 staff.

Independently of this proposal, we recommend that refunding of erroneously paid contributions should be transferred from Newcastle to local offices, who already handle the bulk of the procedures, saving 70 staff and improving the service to the public. And we recommend the imposition of an administrative tolerance (like the one already applied to erroneous refunds) before people are invited to apply for refunds of contributions paid in excess of the prescribed annual maximum.

## CHAPTER 6. A NEWCASTLE MISCELLANY

We first recommend that the start of the "benefit year" (the year in which short-term benefits become available in return for contributions paid in a previous year) should be put back by three months, bringing it in line with the tax year and achieving a staff saving of 140.



Next we recommend that nil contribution notices, which go out to people who look as if they were liable for Class 1 contributions but have paid none, should be issued direct from Newcastle instead of via local offices and should not be followed up. This would save 585 staff in return for some loss of compliance, which we hope would to some extent be offset by our proposals in chapter 7. Among other - mainly minor - recommendations in this chapter, we recommend a space on deduction cards for the voluntary insertion of the employee's address, to reduce the large proportion of contributors for whom no (usable) address is recorded on the computer.

#### CHAPTER 7. LOCAL AND REGIONAL OFFICES

In DHSS local offices, both Inspectors and Contributions Sections deal with contributions matters. We see advantages in further integration between the two, with clerical officers (Local Officers II) working direct to Inspectors and undertaking some visiting duties at present undertaken by Inspectors. We recommend a pilot study to see how this works. The present system of examining every employer's records over a five year cycle ("trade survey") is too rigid: we suggest that surveys should concentrate on "at risk" employers (with performance indicators to assess its effectiveness).

Class 2 (self-employed) contributors who do not return a stamped card and do not pay by other means get a no card notice. Those who put in a card with not enough stamps to cover the whole period during which they were apparently liable for Class 2 contributions get a deficiency notice. Abandoning follow-up of deficiency notices sent to Class 2 contributors, and making follow-up of no card notices sent to them biennial, has made serious inroads into compliance: we recommend annual follow-up of no card notices and biennial follow-up of deficiency notices, at a staff cost of just over 100.

We are not wholly happy with present arrangements for determining staff complements for local office contributions work, and we recommend a review of complementing arrangements.

Finally, we are not convinced of the need for a Regional Office tier between local offices and Headquarters. The case for Regional involvement rests largely on ensuring uniformity between offices and on the expertise which Regional Offices acquire. But we think that the importance of uniformity can be exaggerated (and that it could be secured by other means). Where real expertise is needed, we think it should be found in Headquarters; but what is often needed is not expertise but a simple decision by management in the light of facts presented by the experts who should be on hand in local offices. So we see a role for more responsible decision-making by local management and recommend the withdrawal of Regional Offices from contributions casework and an end to mandatory referrals to Region on contributions matters.

#### CHAPTER 8. PUBLICITY, LEAFLETS, FORMS, INSTRUCTIONS AND TRAINING

DHSS Ministers have stressed the need to give publicity to the importance of the NI number. If this is to be effective, the present flimsy and insignificant NI number card issued to school leavers and others should be replaced by an attractive plastic card, supported by a publicity campaign on television and elsewhere.



We criticise the obscurity and bureaucratic language of many of the leaflets, forms and stock letters issued by DHSS on contributions matters and propose a thorough review of them, with outsiders participating, and a simpler way of outlining basic procedures for employers. More local liaison with employers and accountants is needed, and staff time should be specifically allocated for this.

Instructions for local office staff should be simplified. Both their basic and continuing training should be geared towards greater understanding of computers, and short-term exchanges between Newcastle and local offices should be considered.

#### CHAPTER 9. INLAND REVENUE ASPECTS OF CONTRIBUTIONS RECORDS

On the whole liaison between DHSS and Inland Revenue works well, although there are inevitable differences in attitudes towards compliance. Information may be passed from Inland Revenue to DHSS within constraints laid down by the 1975 Social Security Act: officials from both Departments should look at any problems that have arisen here and at the scope for extending liaison within the Act. We should also like to see Inland Revenue remind their staff that they can obtain NI numbers direct from Newcastle, to improve the proportion of numbers held by Tax Districts and help cut down NMI's.

#### CHAPTER 10. SUMMARY OF RECOMMENDATIONS

This chapter summarises in table form the 82 recommendations in our report, with the costs or savings, where possible, that each would involve. The most radical recommendations are those in chapter 5 centring on the abolition of the compatibility check and a shift of onus for checking onto the contributor.

Our recommendations on refunds, the benefit year and nil contribution notices could yield immediate savings, while our recommendations to strengthen Class 2 compliance should block some glaring loopholes.

Adoption of the new structure for local office contributions work which we recommend, together with a more flexible approach to trade survey, should streamline the work of local offices and pave the way for the kind of responsible management that will be needed if, as we recommend, Regional Office involvement in contributions casework ends.

We attach great importance to our recommendations on publicity and communications in chapter 8. Without simple and effective communications with employers and the public, any attempt to reduce the number of recording and other errors in a system as complex as the national insurance one must be half-baked.

The net savings from our report as a whole would be about 1810 staff.

Assuming that the average grade of staff saved is clerical officer, this will mean a net saving of nearly £15.3 million a year.





✓ MAD

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

13 April 1981

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

Dear Michael,

Thank you for sending me a copy of your minute of 2 April to the Prime Minister.

Of course it must be right to reduce the size of the Government's office estate as civil service numbers run down. I note and applaud the very substantial savings which you expect to achieve from the plan for the rationalisation of the London headquarter office estate. In addition to these, a reduction in office space should also enable more savings to be made in messenger, security and some other office services. It is difficult to be precise about this until proposals are sorted out in detail, but my people reckon that for messengers alone, these could amount to some 400 staff.

I share your hope that departments will co-operate in implementing the rationalisation plan. A move to repayment, about which you will be writing to colleagues shortly, would give departments a direct incentive to reduce the space they occupy, wherever possible. I have asked my officials to give yours any support which they can in carrying through these plans.

So far as CSD's own buildings are concerned, no doubt the PSA will be discussing any specific proposals with my people.

I am copying this to the Prime Minister, other Members of the Cabinet, Sir Derek Rayner and Sir Robert Armstrong.

Yours ever  
Christie

SOAMES





NOPT

MD  
13/4

MANAGEMENT IN CONFIDENCE

PRIME MINISTER

## THE SCRUTINY PROGRAMME 1981

Nicholas Edwards sent me a copy of his minute of 24 March about his proposal for a scrutiny of the processing of compulsory purchase orders and other orders and appeals in the Welsh Office.

I welcome this proposal, to which I understand you have agreed. My Department naturally has a close interest in the subjects to be studied. I am happy to make the Planning Inspectorate available for consultation as suggested, and I shall be interested to consider whether the recommendations arising from the scrutiny can be applied in DOE.

I am making several improvements in this area in my own Department already. The compulsory purchase order work in our Regional Offices was embraced in last year's Rayner scrutiny and, arising from this, we are now considering the extent to which we could disengage from unopposed local authority CPOs. I issued a Consultation Paper on the handling of planning appeals, public inquiries and related work last year; we are now following this up - transferring more appeals to Inspectors, providing for quicker





on-the-spot decisions, and experimenting with informal hearings. I am also considering the results of a study by management consultants of the internal operation of the Planning Inspectorate.

So much is on move in this area already that I would not wish to delay its implementation by embarking on a further scrutiny. But the Welsh Office study team are very welcome to draw on our experience and their recommendations will be of great interest to us.

I am copying this minute to Nicholas Edwards, George Younger, Mark Carlisle, Norman Fowler and Sir Derek Rayner.

*MH*

M H

10 APR 81







See Mac

JS



cc Co

10 DOWNING STREET

From the Private Secretary

6 April 1981

How David

The Prime Minister was pleased to see your Secretary of State's minute of 2 April, about reducing the size of the Government's office estate as Civil Service numbers run down.

I am sending a copy of this letter to David Wright (Cabinet Office).

Yours own

Mike Pittman

David Edmonds, Esq.,  
Department of the Environment.

ds.





PRIME MINISTER

*Excellent  
- my record  
mb*

*Prime Minister*

*Mr Herdiani asks colleagues  
to give personal attention  
to the drive to rationalise  
government use of office  
space. MRP 3/4*

When we met on 17 March to discuss the CPRS report on repayment for PSA services I mentioned proposals drawn up by PSA for reducing the size of the Government's office estate as civil service numbers run down. I also urged the need for Ministers in charge of Departments to help ensure that these potential savings are realised.

In my own Department, a detailed study by PSA of DOE's offices in central London has shown that it could be possible to regroup from 11 buildings at present into three, over the next two years. The saving would be about £3M in a full year in rent, rates and running costs - a reduction of 20%. I have asked for a detailed implementation plan to be worked out and for regular reports on progress.

These proposals affecting my Department are part of a comprehensive plan prepared by PSA for the rationalisation of the London headquarter office estate as civil service numbers reduce. This offers the prospect of reducing the size of the estate by over 3½ million sq ft over the next 5-7 years. This





would yield savings of up to £50M a year in rent, rates and running costs once rationalisation was completed (this figure excludes the effects of inflation but takes accounts of future rent reviews). PSA are now discussing the proposals in detail with each Department concerned. The early stages of the plan are already being implemented. Last year PSA disposed of 350,000 sq ft of office space in London and expect to release 635,000 sq ft in 1981/82. Work is also in hand to identify potential savings outside London.

The process of estate rationalisation will involve some temporary disruption to Departments but in the longer term should help to improve efficiency and reduce costs by bringing staff together into fewer buildings. It will also require substantial expenditure on building adaptations, payments to landlords for dilapidations etc - perhaps £10M in total over the whole period. Offsetting this will be payments from landlords for early surrender of leases, compensation for improvements carried out, etc. My officials are discussing with the Treasury how these costs and receipts can best be handled.





We have already had an encouraging response from Departments of these proposals but we need to keep up the momentum. I should be glad if colleagues would take a personal interest in these plans as they affect their own Departments and help to make sure that these savings are achieved.

I am copying this minute to other members of the Cabinet, Sir Derek Rayner, Sir Ian Bancroft and Sir Robert Armstrong.

*MH*

MH

2 APR 1981



PRIME MINISTER

I attach a letter from a man who has recently been made redundant from a well paid management post. He challenges you to find him a role - temporary or permanent - in examining the effectiveness of selected areas of Government.

Mr. Harris is obviously confident of his own abilities. If you are at all attracted by his proposal, it is possible that he could be used for some of the work in a Rayner scrutiny, on a consultancy basis. (He would have to be prepared to accept lower remuneration than in his last post.)

Do you want us to consider this possibility, or would you prefer us simply to turn him down politely?

S. J. Pike

11 MAP

Would Mr. Ibbot use his services  
on a temporary basis to deal  
with his North-west Ind. enquiry?

1 April 1981

mb





Goff Mach  
✓  
MAP

CABINET OFFICE

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

27 March 1981

J F Halliday Esq  
Private Secretary to the  
Secretary of State for the Home Department

*John Halliday*

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

1. The composition of this year's scrutiny programme is now near enough to settlement to send you and copy addressees the enclosed list of subjects agreed for inclusion so far.
2. We are still in touch with some Departments about the programme and I hope to circulate shortly a supplement containing extra subjects, including some drawn from staff- and procedure-intensive areas of work.
3. The Prime Minister has asked Derek Rayner to take a particular interest on her behalf in certain scrutinies. These are marked "P" in the enclosure. (The practical distinction between "particular" and "general interest" scrutinies is explained in the notes of guidance issued with Rayner's letter to Sir Ian Bancroft of 20 February.)
4. Ian Beesley here (233 5029) has a general responsibility for the 1981 programme. He is accordingly the contact point for queries of a general kind. In addition, he and each of the other staff here will look after certain "particular" scrutinies, especially as they near completion. Names are shown in the final column of the enclosed list. The allocation may have to be varied in the light of progress with scrutinies and the other work of this office but it will, at the very least, give examining officers and others a first point of call. (David Allen and Lizzie Thoms are on 233 8550.)

SMALL DEPARTMENTS AND THE SCRUTINY PROGRAMME

5. The Paymaster General mentioned this issue in his letter to the Prime Minister of 22 January. You may like to have the attached copy letter to David Heyhoe which suggests how it should be dealt with.

*Yours sincerely,*  
*C. Priestley*  
C PRIESTLEY



ENCs: Scrutiny programme 1981  
Copy letter to Mr Heyhoe (not copied to examining  
officers)

CIRCULATION: Private Secretaries to Ministers in charge of  
departments; to Minister of State, CSD; to  
Sir Robert Armstrong, Sir Ian Bancroft,  
Sir Douglas Wass and Mr Ibbs; to other  
Permanent Secretaries; and all examining  
officers





CABINET OFFICE

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

27 March 1981

David Heyhoe Esq  
Private Secretary to the  
Chancellor of the Duchy of Lancaster and Paymaster General

*David Heyhoe,*

EFFICIENCY IN CENTRAL GOVERNMENT: SMALL DEPARTMENTS AND THE  
SCRUTINY PROGRAMME

In his letter to the Prime Minister of 22 January, the Paymaster General asked whether consideration could be given to the case of small departments, with a view to their being required to participate in the programme occasionally rather than each year.

2. The Prime Minister understands that a requirement to participate each year might be difficult for departments of narrow function or small size. She would be grateful if departments with less than 1,000 staff undertook a scrutiny every two or three years so that some such departments were included in the scrutiny programme each year.

3. The Prime Minister also understands that it may sometimes be difficult to find suitable examining officers in smaller departments. She hopes that where a Minister is responsible for more than one department he will consider whether those with more staff might help out his smaller departments. If a suitable officer cannot be found the Lord President has put his department on notice to help, directly if it can or through the use of its good offices to obtain suitable assistance from elsewhere.

THE SCRUTINY PROGRAMME

4. I enclose your copy of a letter informing private secretaries of the composition of this year's programme as agreed so far.

*Yours sincerely,*  
*C. Priestley*  
C PRIESTLEY

ENC: Copy letter to Mr Halliday

CIRCULATION: Private Secretaries to Ministers in charge of Departments; to Minister of State, CSD; to Sir Robert Armstrong, Sir Ian Bancroft, Sir Douglas Wass and Mr Ibbs; and to other Permanent Secretaries.



SCRUTINY PROGRAMME 1981

MINISTER	SUBJECT	STATUS (P = particular interest G = general interest)	MINISTER IN CHARGE	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STARTING AND FINISHING DATES	NAMES OF EXAMINING OFFICERS	CONTACT IN SIR DEREK RAYNER'S OFFICE
Home Secretary	<u>The Forensic Science Service</u>	P	Lord Belstead	Increasing workload and manpower constraints have put heavy pressure on the service	£15m 600 staff	April - October	Alan Turney	Ian Beesley
Foreign Secretary	<u>The generation and transmission of information</u>	G	Mr Douglas Hurd MP	Large volumes of paper are generated and moved using labour intensive procedures	At least £1.4m in wages and salaries	3 - 4 months start not specified	N/K	Ian Beesley
Chancellor of the Exchequer HM Treasury	<u>Typing and Secretarial Services</u>	G		Complements registry and clerical services study	£1m 167 staff	April - August 1981	David Norgrove	Ian Beesley
HM Customs and Excise	<u>Procedures for dealing with and amending VAT registrations and de-registrations</u>	P	Lord Cockfield	VAT is a major function	£5m 500 staff	2 March - middle/end July 1981	Douglas Tweedle	David Allen
	<u>Customs procedures and attendance outside normal working hours</u>	P	Lord Cockfield	Costly in manpower and shift payments	To be identified	2 March - mid/end July 1981	Peter St Quinton	Ian Beesley
Department for National Savings	<u>Investigation of Post Office errors in recording deposits and withdrawals</u>	G	Lord Cockfield	Cost of correction may be disproportionate to size of errors	£0.7m	16 March - July 1981	Scott Speedie	Ian Beesley
	<u>Operating procedures associated with the various savings instruments</u>	P		Possible scope for rationalisation		N/K	N/K	Ian Beesley



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Inland Revenue	<u>PAYE files and contents</u> <u>Repayment procedures in claims and PAYE sections of tax divisions</u> <u>Administration of Schedule D tax</u>	P  P	Lord Cockfield  Lord Cockfield	Need to scrutinise how much needs to be kept on the 2 1/2 million files  Possible scope for relaxing procedures and making methods less formal	200 - 300 man years  1300 staff units	Sept. - Nov. 1981  April - June 1981	John Yard  Gerald Scull	Lizzie Thoms  Lizzie Thoms
Secretary of State for Industry	<u>Administration of DOI Finance for R &amp; D in industry</u>	P	Mr Norman Tebbit MP	Large sums and numbers of staff involved	Programme costs £200m a year, the administration £10m (850 staff)	April - July 1981	Callum McCarthy	Ian Beesley
Paymaster-General	<u>Declaration of entitlement for public sector pensions</u>	G	Mr Francis Pym MP	Not fully evaluated after the law ceased to require them	£70,000	Sept. - Nov. 1981	John Breedon	Ian Beesley
Minister for the Civil Service	<u>The delegation of authority to other departments</u>	P	Mr Barney Hayhoe 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	Rob Hull	Clive Priestley
Secretary of State for Employment	<u>Work Permits Division</u>	G	Mr David Waddington MP	Employment of foreign nationals imposes costs on Government. Possible wider lessons	£1m	March - July 1981	N/K	Ian Beesley
Manpower Services Commission	<u>Procedures for dealing with special programmes sponsors</u>	P	Sir Richard O'Brien (Chairman MSC)	Large sums involved and possible scope to ease the burden on sponsors	£1.4m+	April - July 1981	N/K	Lizzie Thoms
Health and Safety Executive	<u>Approval testing and certification of products under the 1974 Health and Safety at Work Act</u>	G	Mr J Simpson (Chairman HSC)	New schemes coming from EEC, need to see how work should be organised	£2m	Jan. 1981 for 3-4 months	Adrian Cohen	Ian Beesley



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Secretary of State for Defence	<u>Defence Sales Organisation</u> a. <u>Financial control and accountability</u> b. <u>Group travel on duty by service personnel in the UK</u> <u>Defence Telecommunications</u> <u>Dissemination of information</u>	P	Lord Trenchard	Need to support scope for greater export sales A large and complex area of great significance		June start	N/K	Ian Beesley
		P	Mr John Nott MP			a. Feb - 31 March b. April -	William Reeves	Clive Priestley
		P	Mr Philip Goodhart MP	Standing arrangement with British Rail to be re-negotiated in '81	£33m+	May - Aug.	David Pollock	Lizzie Thoms
		G	Mr Philip Goodhart MP	Scope for rationalisation using new technology	£56.5m (300 staff)	Sept. - Dec.	Alexa Walker	Ian Beesley
		G	Mr Philip Goodhart MP	Scope for rationalisation using new technology	£0.5m+	N/K	N/K	Ian Beesley
Minister of Agriculture Fisheries & Food	<u>Fisheries Research and the work of the Torry Research Station</u>	P	Mr Peter Walker MP	Effort high in relation to the contribution of fishing to GDP	Staff £5.4m (650 man-years) Other £6.1m	Sept. 1981 Jan. 1982	SFPO + PRIN.	Ian Beesley
Secretary of State for the Environment	<u>Control of administrative costs in DOE central and scope for local cost centres</u>	P	Mr Michael Heseltine MP	Survey of running costs revealed need for tighter grip on central staff costs	£44m plus £38m from other departments	Jan. - April 1981	Chris Joubert	David Allen
PSA	<u>Custody service provided to depts. having no capability of their own</u>	G	Mr Geoffrey Finsberg MP	Demand-led. PSA do not control numbers	£6.13m 830 posts	Feb. - May	Eric Turtle	Ian Beesley
Scottish Office	<u>Role organisation, staffing and effectiveness of HM Inspectorate of Schools</u> <u>Fisheries research</u>	P	Mr Alex Fletcher MP	Changes in traditional functions raise questions on resources devoted to the HMI To be conducted in parallel with MAFF scrutiny	£3.25m (150 staff)	Jan. - May 1981 Sept. - Jan. 1982	Peter Rendle Robert Lawson	Clive Priestley Ian Beesley



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Secretary of State for Wales	Handling of compulsory purchase orders and similar orders	G	Mr Nicholas Edwards MP	Many functional areas involved, complaints of delays from the public	About 50 staff	end April - August	Principal level	Ian Beesley
Secretary of State for Northern Ireland	Organisation systems and deployment of resources in the <u>NI Employment Service</u>	P	Mr Michael Alison MP	To ensure NIES is providing value for money	£5.65m 630 staff	Jan. - May 1981	Derek Alexander	David Allen
Secretary of State for Social Services	Administrative implications of <u>'final relevant year provision for pensions</u>	G	Mrs Lynda Chalker MP	Need to make enquiries and awards is frustrating to DHSS and employer	150 men years and cost to employers	N/K	Brian Bridges	Ian Beesley
Secretary of State for Trade	Handling of Case- work in <u>DHSS Head- quarters</u>	P	Sir George Young MP	Despite recent initiatives the heavy load might be handled better. Possible wider implications	375 staff and £7m approx.	Likely May - Sep.	N/K	Clive Priestley
Secretary of State for Energy	Handling of <u>routine prosecu- tions</u> by the Solicitor's Dept.	G	Mr Reginald Eyre MP	May be more efficient to use private sector sollici- tors in the provinces. Possible wider relevance.	£370,000 pa	April - July 1981	Michael O'Shea	Ian Beesley
Secretary of State for Education and Science	<u>International work of the Department</u>	G	Mr Norman Lamont MP	Effort grown rapidly. Timely to take stock	Unknown - £875,000 pa at a minimum	May- August	Margaret McKinley	Ian Beesley
Secretary of State for Education and Science	Role, organisation, staffing and effec- tiveness of <u>HMI Inspectorate of Schools in England and Wales</u>	P	Baroness Young	Changes in traditional functions raise questions on resources devoted to the HMI	£13.5m (400 staff)	Jan.- end June 1981	Nick Stuart	Clive Priestley



MINISTER	SUBJECT	STATUS (P = particular interest G = general interest)	MINISTER IN CHANGE	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCROPTNY	STARTING AND FINISHING DATES	NAMES OF EXAMINING OFFICERS	CONTACT IN SIR DEREK RAYNER'S OFFICE
Secretary of State for Education and Science	Review of activities of V & A and <u>Science Museums</u>	G	Mr Paul Channon MP	Activities curtailed; need to review staffing, methods and effectiveness	£15m+ expenditure on buildings	Start early 1981 6 months	N/K	Ian Beesley
Secretary of State for Transport	Winter <u>maintenance</u> of <u>trunk</u> <u>roads and</u> <u>motorways</u>	G	Mr Norman Powler MP	Increased spending does not appear to be matched by better results	£4-9m a year depending upon weather	3 months from March 1981	David Rowe and Vladis Servas	Ian Beesley

26 March 1981



file

BK

MR. PRIESTLEY

Thank you for your minute of 26 March. I can confirm that the Prime Minister will be content for you to give the Welsh Office clearance in response to Mr. Edwards's minute of 24 March.

MIKE PATTISON

26 March 1981


or.



Mr PATTISON

THE SCRUTINY PROGRAMME 1981: WELSH OFFICE

1. The Permanent Secretary of the WO told me last week that the Secretary of State would be advised to substitute the processing of compulsory purchase and other orders for Executive Officer (Field) inspections.
2. I said that I thought Sir Derek Rayner would be content with this for the reason (among others) that the scrutiny would have implications for other departments. He confirmed that this was so before leaving for Canada last Friday.
3. I suggest that I should therefore give the Welsh Office clearance on the Prime Minister's behalf in response to Mr Edwards's minute of 24 March.

  
C PRIESTLEY  
26 March 1981



MANAGEMENT IN CONFIDENCE



*Govt Made*  
*BF 2 weeks for advice from*  
*Sir D Rayner if not*  
*received earlier.*

*MAK*  
*27/3*

PRIME MINISTER

THE SCRUTINY PROGRAMME 1981

I wrote to you on 8 January proposing a study of Executive Officer (Field) inspections as the Welsh Office contribution to the scrutiny programme for 1981. In the event, neither you nor Sir Derek Rayner were able to agree that it should be included in the programme.

I have considered other topics for study, and I now propose a scrutiny of the Welsh Office's internal procedures for processing compulsory purchase orders and other orders and appeals under various legislative provisions. The details of this proposal are annexed.

I believe this study would be a substantial one. Its main aims would be to achieve improved procedures, better use of staff and a speedier service. It will be of interest to other Departments as well as mine.

I am copying this minute to the Secretaries of State for the Environment, Scotland, Education and Science, and Transport and to Sir Derek Rayner.

*RNE.*

24 March 1981

RNE





PROPOSED WELSH OFFICE SCRUTINY 1981

- a) Subject: The Welsh Office's internal procedures for processing compulsory purchase orders and other orders and appeals under various legislative provisions. The Department's involvement with orders from other sources, such as local authorities and non-departmental public bodies, would be covered. Public local inquiry procedures would be included. Consultation with the DOE Planning Inspectorate would be required.
- b) Cost of carrying out the activity to be examined: Staff costs are the main item. These are spread amongst many grades, both administrative and professional. The biggest loading is on the executive and clerical grades, something of the order of the whole time equivalent of 40 officers between SEO and CO being engaged on the work. The equivalent of about 3 officers at Assistant Secretary or Principal level are engaged also. The work of the Legal Division runs as a common thread throughout the activity, some 7 or 8 staff (including 4 or 5 professionally qualified lawyers) being involved.
- c) Reasons for selecting the subject: The subject involves staff from many functional areas of the Department's field of responsibility, in particular, the Land Use Planning Group, Transport and Highways Group, Local Government Division, Housing Division, Industry Department and Education Department. The professional members of the Planning Services and Legal Divisions are also heavily involved. The scrutiny would be a substantial one. The procedures involved are lengthy and labour intensive. They have an effect outside the Department, on the workload of local government officers and staff of non-departmental public bodies such as the Land and Water Authorities. They have an impact also on the public; the time taken to complete the procedures in specific cases is sometimes the subject of complaint from outside. Rationalisation of procedures to increase efficiency and reduce delay is therefore seen as an important supplement to any reduction of work and staff savings which may be achieved.
- d) Terms of reference: To examine internal Welsh Office procedures for the processing of compulsory purchase orders from whatever source and of other orders and appeals under Town and Country Planning and other comparable legislative provisions; to assess the efficiency of such procedures with regard to both cost-effectiveness and the desirability of reducing delay in processing; and to make recommendations.
- e) Proposed starting and finishing dates: Say, 28 April - 28 August.
- f) Name of examining officer and reporting arrangements: An officer at Principal level, to be selected; probably, to report to the Secretary of State.





10 DOWNING STREET

*From the Private Secretary*

24 March 1981

The Prime Minister has seen your letter to me of 17 March, about the proposed White Paper on efficiency in central government.

As I told you on the telephone, she is broadly content with the outline attached to your letter. I mentioned to you a couple of areas of the outline where we felt there was some scope for improvement.

The Prime Minister looks forward to seeing a draft of the full text in due course.

M. A. PATTISON

Jim Buckley, Esq.,  
Lord President's Office.

RH



NBPM

MAO

PRIME MINISTER

SCRUTINY PROGRAMME 1981

I have seen a copy of Derek Rayner's minute to you of 18 March. He has been good enough to keep closely in touch with Christopher Soames about this. In Christopher's absence in Zimbabwe I am writing to underline the importance of getting large scrutinies of manpower-intensive subjects in MOD and DHSS (Social Security) started later in the year. I think we should still aim for overall coverage of 40-50,000 as this year's scrutinies do the groundwork for the savings we must secure in 1982 and 1983.

I am sending copies of this to Sir Derek Rayner and Sir Robert Armstrong.

BH.

BARNEY HAYHOE

24<sup>th</sup> March 1981



Cross  
Mick 24/3

MR PRIESTLEY

The Scrutiny Programme 1981

The Prime Minister has seen Sir Derek Rappner's minute of 18 March. She has accepted the four recommendations made by Sir Derek.

I am sending copies of this minute to Edward Chaplin (Lord President's Office), Jeremy Colman (Sir Ian Bancroft's Office) and David Wright (Cabinet Office).

MA P

*h*

23 March 1981



MR PRIESTLEY

Thank you ~~for~~ your minute of 20 March  
about the proposed scrutiny of defence sales  
in the Ministry of Defence.

The Prime Minister is aware of the state  
of play, and is content.

MAP

*C*

23 March 1981





CABINET OFFICE

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

*He has  
see  
covering  
note  
from W.R. Chitt*

20 March 1981

Brian R Caukwell Esq  
Flat 6  
27 Inglis Road  
Ealing  
LONDON W5

*W.R. Chitt*

As you know, following your letters to me of 24 July and 1 September, Mr Clifford Graham of the Department of Health and Social Security (DHSS) looked into the points which you made.

He has come up with a number of recommendations on how the time taken to clear "abridged" applications can be substantially reduced and, more generally, how the lines of communication between the DHSS and the pharmaceutical industry can be shortened.

I have asked Mr Graham to send you a copy of the report.

*[Handwritten signature]*

DEREK RAYNER



Flat 6,  
27 Inglis Road,  
Ealing,  
London W.5.

24 July, 1980

Dear Sir Derek,

Rayner Scrutiny Reports

I have just read (with admiration) your team's report on its investigation of DHSS activities in support of Health Care Exports.

Paragraph 3.11 of that Report touches on one problem which could profitably, I suggest, be subjected to particular study, namely, the inordinately long time required before a product licence for a new medicine is issued.

It is desirable that newly synthesised ingredients should be most carefully investigated before they are cleared for general use by doctors, and long delays may well be inevitable. However, there is a General Sale List Order which itemises a large number of harmless but useful drugs which can be sold by any shop - analgesics, antacids, herbals and the like - and it is extraordinary that an application for a licence for a product containing these substances in already-accepted quantity, promoted for approved indications, should take up to 18 months or even longer before it is approved.

The licence application is examined by a (presumably) competent pharmacist, and in most cases he should be able to say within half an hour whether or not the formulation is acceptable. Another executive checks the claims being made for the product, and again half an hour should be long enough for a decision.

The bottleneck is the expert committees which, even in the simple licence applications, have to signify their approval. These committees are composed of eminent personages who give their services on an 'expenses only' basis, and who equally cannot be required to remain in session for as long as it takes to dispose of all outstanding matters.

Patrick Jenkin has said that the licensing procedure can be speeded up only by taking on extra staff. I doubt this. As an ex Civil Servant I am well acquainted with the technique of 'going slow' for a few weeks before the Treasury D. and M. team makes its well-publicised visit, so that overflowing in-trays can be used to justify demands for more, not less staff, and I have no doubt that similar techniques are still in use, but as Registration Manager of a non-prescription pharmaceutical company I find it difficult to believe that the present delays are inescapable.

No doubt the DHSS will point out that there are many stages, other than those I have mentioned, which must be completed, such as feeding the details of the formulation into the Ministry computer, or notifying the

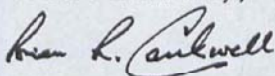
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details of the application in the required form to our EEC partners in accordance with the terms of the appropriate Directives; my contention is that most, if not all of this can be done after the Licence has been issued.

It may be that an investigation of this subject is outside your terms of reference, or that your teams already have quite enough on their hands, but I thought at least that it was worth asking you to consider it.

Yours faithfully,



Brian R. Caukwell.



PHARMACEUTICAL PRODUCT LICENCES : ALLEGED DELAYS IN DHSS PROCESSING OF "ABRIDGED" APPLICATIONS

BACKGROUND

1. Sir Derek Rayner received a complaint direct from Mr B R Caukwell - Registration Manager of the International Chemical Co Ltd - about "the length of time taken by the Medicines Division of DHSS to process simple product licence applications". He suggested that Sir Derek should initiate a "Rayner Scrutiny". Mr Caukwell repeated his complaint to Sir Derek, after receiving a written explanation of the current procedures from the Under Secretary in charge of medicines division in response to a request on Sir Derek's behalf by Mr Graham, and pressed his claim for a scrutiny.
  
2. Mr Caukwell approached Sir Derek in his private capacity and not as a representative of ICC. But, in the light of further direct enquiries of Mr Caukwell by Mr Graham on Sir Derek's behalf, Mr Caukwell has since informed his company of the approach, which they also now support. ICC are the manufacturers of such products as Anadin and Kolynos toothpaste : they are a wholly owned subsidiary of the American Home Products Corporation, which produces medicines, food products and household wares including "Prestige" and "Ekco".
  
3. With the agreement of Mr Caukwell, Mr Graham consulted the Proprietary Association of Great Britain, (PAGB), the trade association representing the interests of Companies such as ICC, producing proprietary and "over the counter" pharmaceutical products ie those for retail sale without a prescription, and professional and administrative staff in DHSS.

DHSS MEDICINES DIVISION

4. DHSS Medicines Division is concerned with the implementation of the Medicines Acts 1968 and 1971 and the Biological Standards Act 1975. This involves statutory requirements in respect of the safety, efficacy and quality (including safety in relation to quality) of medicines, and international aspects of medicines control. The Division has been protected so far as possible from the generality of staff cuts in DHSS, and in fact now has more staff than 18 months ago, but as the divisional functions and sheer volume of the work flow continue to increase it is difficult for the Division always to respond as quickly as the industry would like. The Pharmaceutical Industry meets about 60% of the public expenditure incurred in running Medicines Division. Figure A attached illustrates the organisation of medicines division.



The Rayner Scrutiny report on DHSS activities in support of health care exports, paragraph 5.11, identified the need to "speed up and simplify registration of UK product licences (say from the present 6-9 months to 4 months maximum)". The report recommended that, if necessary, the numbers of staff available to Medicines Division should be increased for this purpose, at the expense of the administrative branches responsible for the support of health-care exports, which were to be run down in keeping with the report.

#### PRODUCT LICENCES

6. Product licences are required for the sale or supply of any material in a pharmaceutical form suitable for administration as a medicine, including their procurement, importation or manufacture; either through general sale, or through a registered pharmacy - "over the counter" or on prescription - or through some other specified outlet such as a hospital, clinic, laboratory or automatic vending machine. The licence also enables the product to be manufactured or assembled provided the manufacturer or assembler holds a manufacturing licence and acts to the order of the product licence holder.
  
7. Medicines Division has to operate through quite a complicated bureaucracy stretching beyond DHSS - see Figure B which illustrates the policy process involved. In addition, each separate product licence application may have to be subjected to an even more complicated assessment process within DHSS - see Figure C which illustrates the progress of typical applications within DHSS.
  
8. Product licences are required not only for medicines based on new drug substances but also for those based on already well known and documented compounds, though for the latter much less is required by way of supporting documentation and they are thus known as "abridged" applications. Mr Caukwell's complaint relates to abridged applications. Over the past three years the total number of all applications for product licences has risen from about 640 to over 1,000 a year (and there have been comparable or even greater increases in some other activities e.g. applications for variation of licences) without a commensurate increase in staff. Delays arise for a number of reasons: some degree of "queuing" is necessary for the efficient use of staff time; some hiatus inevitably occurs between staff leaving and their successors being appointed; professional staff appointed for a particular expertise are not readily interchangerable to cope with peaks and troughs; and, in addition to the time required for processing an application within the Division, delays



time in waiting for a company to provide further information and because of the need to investigate separately the suitability of the manufacturer. But although it is possible to find an application in the recent past which has taken about a year to process, the majority are dealt with in about eight months and generally "abridged" applications are cleared well within that time. Figure D provides an illustration of the effect that staff changes and shortages can have on the numbers of applications awaiting assessment. But over the past year, DHSS has made a conscious effort to reduce the resulting backlog of applications.

#### DHSS PROCESS

9. In essence, the DHSS process takes about 8 or 9 months and falls into three separate parts as follows - see also Figure E:

9.1 initial administration, which takes on average about two months to complete and involves a number of activities, including examination for completeness (about 7 $\frac{1}{2}$ % of applications are returned as incomplete without ever being registered), basic registration, initial professional scrutiny to decide "routing", and checks to see whether similar products already licensed, etc.

9.2 medical and pharmaceutical assessment which takes on average about five months, including waiting time, and requires the professional officers to satisfy themselves about the safety, quality and efficacy of the product (including safety aspects in relation to quality). This period might be extended by about two months when the application has to be submitted to the Committee on Safety of Medicines. However, most abridged applications are assessed entirely by the professional staff, whose scrutiny of the data might take from half a day to three days, although any external enquiries which were necessary would inevitably tend to lengthen this. A recent analysis of abridged applications shows that 77.1% were granted without CSM advice and 7.2% with advice. Generally, abridged applications are referred to the CSM only where the licensing authority finds itself unable to grant the licence in the terms applied for (when it is statutorily obliged to consult the committee) or when it needs further advice. Pharmaceutical reasons for referral arise because the product is:



- a new pharmaceutical form of a known drug substance;
- a solid-dosage formulation with bioavailability problems;
- a sterile product with non-official sterilisation process;
- a new route of synthesis for an established drug substance.

There may also be further enquiries or reference to the Committee about the medical indications of the product in the light of existing knowledge about the compound or group of products in question.

- 9.3 Licence preparation, which takes on average about ten days to produce and issue the licence itself.

It is perhaps worth noting that over 70% of the applications for major new drugs (not "abridged") are currently failing to satisfy the CSM on first application. This might serve to explain why so much care is taken in the earlier stages of the process, whatever the category of application.

10. A spot check taken early in 1980 revealed that 9 out of 12 abridged applications were cleared within 8 months. But even though sterling efforts have been made over the past year to speed up the DHSS process, it is likely that "abridged" applications will continue to take longer than industry judges to be right, given the greater attention required for the processing of applications for major new drugs and because different groups of applications need special treatment (eg 144 contact lens applications required clearance by the end of 1980) or EEC regulations impose new demands on the process.

11. Medicines Division judge that priority cannot be accorded to relatively simple applications, such as the type which Mr Caukwell is complaining about, without at the same time extending the length of time taken to deal with others. Unlike some other drug regulatory authorities, DHSS does not operate a "fast track" system for major new drugs; neither, by the same token, does it push to the back of the queue applications for products which are similar to some already on the market (ie. the Caukwell variety). What happens in practice is that it operates separate "tracks" for the varying classes of product, with groups of staff allocated to the particular classes. The reason lies mainly in the degree of specialisation which has been found desirable. Within the classes DHSS endeavours, so far as possible, to deal with applications in turn. While the EC Directives specify time limits for consideration of applications for licences, in practice DHSS (and probably most



Other regulatory authorities within the EC) frequently overruns these time limits, 120 days extendable by a further 90 days; for example, shortages of staff anywhere along the critical path can serve to delay the processing of the application by several weeks or even months.

#### THE COMPLAINT

12. As a result of further enquiries through the "Rayner" investigation, Mr Caukwell has clarified his earlier correspondence and narrowed down his complaint; to allegations of excessive delays in DHSS in dealing with "abridged" applications where the compounds concerned are well known, eg on the "General Sale" list (in terms of the finished product and the individual ingredients and the recommended dosage levels and storage requirements); the company concerned is well known to DHSS and regularly inspected; the product application only quotes approved medical and pharmaceutical indications; and, all the supporting documentation (quality control specifications, stability data etc) is correctly provided in accordance with existing DHSS instructions. He points out that new products generally do not appear on the "General Sale List" when they are first marketed: if they did not satisfy the criteria of safety governing that list, they would first be marketed either as "prescription only" or "pharmacy" items. There is thus a review procedure which products pass before becoming GSL items. Mr Caukwell therefore alleges that in these limited circumstances, such simple applications could be dealt with well within the eight months average for DHSS : he first said, half an hour was all that was needed; but now he says that, if they were given priority on a "fast track" system as in other countries and organisations (unspecified), the licence ought to be issued within one or two months instead of the present average of about eight months.

13. On the other hand, discussions with PAGB have tended to widen the basis of the original complaint. In essence, PAGB, as the trade association representing most companies affected by the "abridged" application procedure, tends to argue that:

13.1 the DHSS process is taking about twice as long as it ought to : essentially stages 1 and 2 (see Figure E) should be merged, with the aim of producing or refusing a licence in about 4 months instead of the present 8 months average for stages 1-3;

13.2 the information leaflets are far too long and complicated (about 60 pages of closely written text for product licence applications) :



if it takes seminars and many discussions to interpret them, then perhaps the leaflets need changing (they were last issued in 1977). There is a strong case for DHSS, together with PAGB and ABPI, taking a look at the data requirements for abridged applications. For example, companies report that one of the main sources of delay stems from the need to provide comprehensive stability and storage information, and details of raw material suppliers at the time of making an application. The acquisition of such information can take many months (in the first instance), or can become outdated during the approval process (second instance);

- 13.3 there may be a lack of commercial awareness amongst DHSS professional staff, who may appear to be too distant from the companies affected : investment decisions have to be taken by hard pressed company executives; and they need to be in constant touch with the DHSS officers concerned with their applications so as to provide further information without delay (and preferably without resort to correspondence) and to pick up possible snags as soon as possible since this may affect their wider industrial judgements (Medicines Division refutes this suggestion, pointing out that a high proportion of both its medical and pharmaceutical staff have, in fact, had substantial experience with companies);
- 13.4 there can be an undesirable "knock on" effect in the DHSS requests for further information : PAGB suggest that DHSS requests quite often go beyond the extant information leaflet and the national and international requirements, either because they are anticipating such changes to come or they have picked up further tips from a comparison of different applications; and some of the bigger companies may be offering much more information than strictly they need to, either because they can afford to or they want to demonstrate other advantages to a wider audience for commercial reasons, which may have undesirable consequences for the smaller companies who cannot provide such information except at an unprofitable expense (Medicines Division point out that the current requirements are not, in fact, couched in definitive terms but quite deliberately allow for the state of scientific knowledge at the time).



Further related issues have been raised in recent publications, for example:

- 14.1 The information summarized in Figure F, which assesses the comparative performance of various countries in approving applications for new drugs, suggests that the United Kingdom acts more quickly than most countries;
- 14.2 In a recent report in the "Chemist and Druggist" (6 December 1980 page 893), a DHSS representative from Medicines Division is quoted as saying that "Within each group, [product licence] applications were taken in strict sequence, but .... there was an eight months backlog for abridged applications due solely to the large numbers being dealt with by a small staff". This has led PAGB to conclude that there is a hidden selection process at work within DHSS (which, in any event, is presumed to be necessary in keeping with recent EEC Directives about processing such applications); and tends to reinforce the industry in its view that it needs to know much more about how DHSS goes about its work in this respect, for example on the lines of paragraph 11 above;
- 14.3 In a recent paper ("Legislative Changes and Industrial Performance : A Case Study by Duncan Reekie - Scottish Journal of Political Economy June 1980) an academic economist presents convincing evidence that Government demands on small PAGB-type companies are having a damaging effect on the survival and profitability of these companies "those disappearing are likely to be the lesser-known ones with small local sales, rather than those nationally advertised"; on the size, shape and growth of the industry at home (on which much of our export earnings and NHS resources depend); and, on the innovative work and investment in home medicines - in terms of either the development and improvement of existing medicines or the production of new ideas. In short, there is a balance to be struck between the legitimate demands of Medicines Division, in the interests of the safety of the patient, and the need to secure the survival and growth of the industry (including the small PAGB-type companies) on which the patient and society depends. The report concentrates on the requirements for new drugs (not "abridged" applications) and it emphasises that "no attention has been paid to the benefits provided by the legislation"; but perhaps at least it emphasises the need for



greater commercial awareness in processing product licence applications.

#### SOME POSSIBLE SOLUTIONS

15. It is clear that, without necessarily confining consideration to the original complaint from Mr Caukwell or even accepting all the detailed points he is making, there is something for industry and DHSS to do in order to improve the present position on product licence applications for the benefit of all concerned.

16. Some possible solutions are therefore suggested to reflect the spirit of goodwill which all sides have expressed during the "Rayner" investigation of these issues rather than as a destructive comment on present arrangements, as follows:

- 16.1 Discussion. Industry, as represented by PAGB and ABPI, and DHSS, as represented by Medicines Division and Industries and Exports Division (where, following the Rayner Report on Health Care Exports, responsibility for home industry and export matters on pharmaceuticals have been brought together in one Branch - IED3), should get together to air their different perceptions and requirements, in the context of this paper; with a view to identifying some practical possibilities for the immediate future and establishing a closer, continuing dialogue for the longer term to deal with specific issues of concern to industry and DHSS, such as those raised in this paper.
- 16.2 Information. DHSS/PAGB/ABPI should get together to re-negotiate and re-present the existing DHSS Information Leaflet MAL2, which deals with product Licence applications (the data requirements in MAL2 are aligned to EEC requirements so the content may not be as negotiable as the presentation). For example, PAGB might be asked - after an initial discussion along the lines of 16.1 - to provide within, say, 3 months a first draft of a revised leaflet, written more from the Industry point of view, which might then be discussed by all parties with a view to publishing a revised version by Summer 1981.
- 16.3 Analysis. DHSS might be asked to prepare a detailed analysis of the reasons why companies at present fail to complete their product licence applications as fully or accurately as DHSS would like,



in keeping with the existing Information Leaflet MAL2, for PAGB and ABPI to consider in preparing a revision of the leaflet; and PAGB and ABPI might be asked to produce a similar analysis detailing the main difficulties encountered by companies in completing, or the unacceptable commercial consequences flowing from, Information Leaflet MAL2 at present, for DHSS to consider in deciding whether to publish a revision of MAL2. DHSS already have some work in hand which ought to provide for these purposes a comprehensive survey of unsuccessful licence applications.

16.4 Assurance. In return for an improved approach to the completion of product licence applications by industry, DHSS might give PAGB and ABPI the assurance that additions or amendments to the information requirements, set out in the revised version of MAL2, will not be requested case by case. The aim of Medicines Division should be first to discuss any such changes with PAGB and ABPI. In return, PAGB and ABPI might be asked to take on a more central role on behalf of Industry, by ensuring the strict compliance of companies to the revised MAL2; provided Medicines Division confirm that requests for additional information will only be made between further revisions of MAL2 where exceptional circumstances justify the need for such information and the commercial consequences for industry are judged to be acceptable. DHSS might therefore give industry the assurance that where the revised MAL2 has been strictly complied with, the products and ingredients are well known, and the labelling requirements are well known and undertaken, the DHSS aim will be to complete the process without reference to expert committees established under Section 4 of the Medicines Act 1968, except where this is required before rejection of a particular application.

16.5 Speed and Certainty. As a consequence of 16.1-16.4 DHSS ought to be able to avoid the "knock on" effect, and delay, resulting from requests for additional information and the professional assessment, and therefore the production of licences in respect of "abridged" applications, might be speeded up considerably. In which case, a 3-4 month period for the processing of such applications might not seem unreasonable. DHSS might be able to speed up the process still further by informing companies in advance of the likely timetable



for such applications; avoiding seasonal fluctuations in the receipt of applications, by providing PAGB and ABPI with copies of the progress chasing charts which have recently become a useful feature of DHSS control processes; and giving companies an early warning of the possibility of a lengthy process on a particular application eg when expert committees are to be involved in Stage 2. The more Medicines Division can keep the lines open to industry - either PAGB/ABPI or the companies - throughout the process the better. Equally, it may help to speed up and make more economical the process within Medicines Division if a stronger management responsibility for the interaction between the different parts of the Division is accepted throughout all three stages of the process; so that the initial administration, registration etc is followed right the way through to production and issue of the licence - in short, DHSS should consider replacing existing arrangements by a more regular management process linked more clearly to the surrounding administrative and medical action. DHSS might consider making much earlier decisions where the full rigour of the medical and pharmaceutical assessment is not being applied in the majority of "abridged" applications, especially if PAGB/ABPI and companies are to take on a more demanding role, so that the administrative process can take over sooner and companies can get earlier reassurance through a kind of "fast track". In return, PAGB and ABPI might be encouraged to ensure that companies review their own internal arrangements to make sure that each application contains all the relevant professional data : DHSS too often finds that registration managers submitting the applications lack the expert knowledge required to decide what is going to be relevant to the assessment.


- 16.6 Publicity. The whole process resulting from 16.1-16.5 should be opened up much more to the gaze of industry (including IED, PAGB and ABPI) so that justice can be seen to be done; and industry can be satisfied that the safety of the patient is not being given an unfair advantage over the survival and sponsorship of the industry. This can best be done through more open seminars as 16.1-16.5 are being developed and regular references in ABPI and PAGB newsletters.



IMMEDIATE ACTION

17. Sir Derek Rayner will wish to send this paper to DHSS and PAGB (with a copy to Mr Caukwell to show that his complaint has not been ignored or forgotten), and to ABPI (who will wish to join in) so that they can assess the practicality of the suggestions made above, and agree an appropriate programme of action.

18. DHSS, PAGB and ABPI may then wish to agree a joint response to Sir Derek in due course to demonstrate that appropriate action is being taken or planned which renders unnecessary the detailed "Rayner Scrutiny" originally requested by Mr Caukwell.

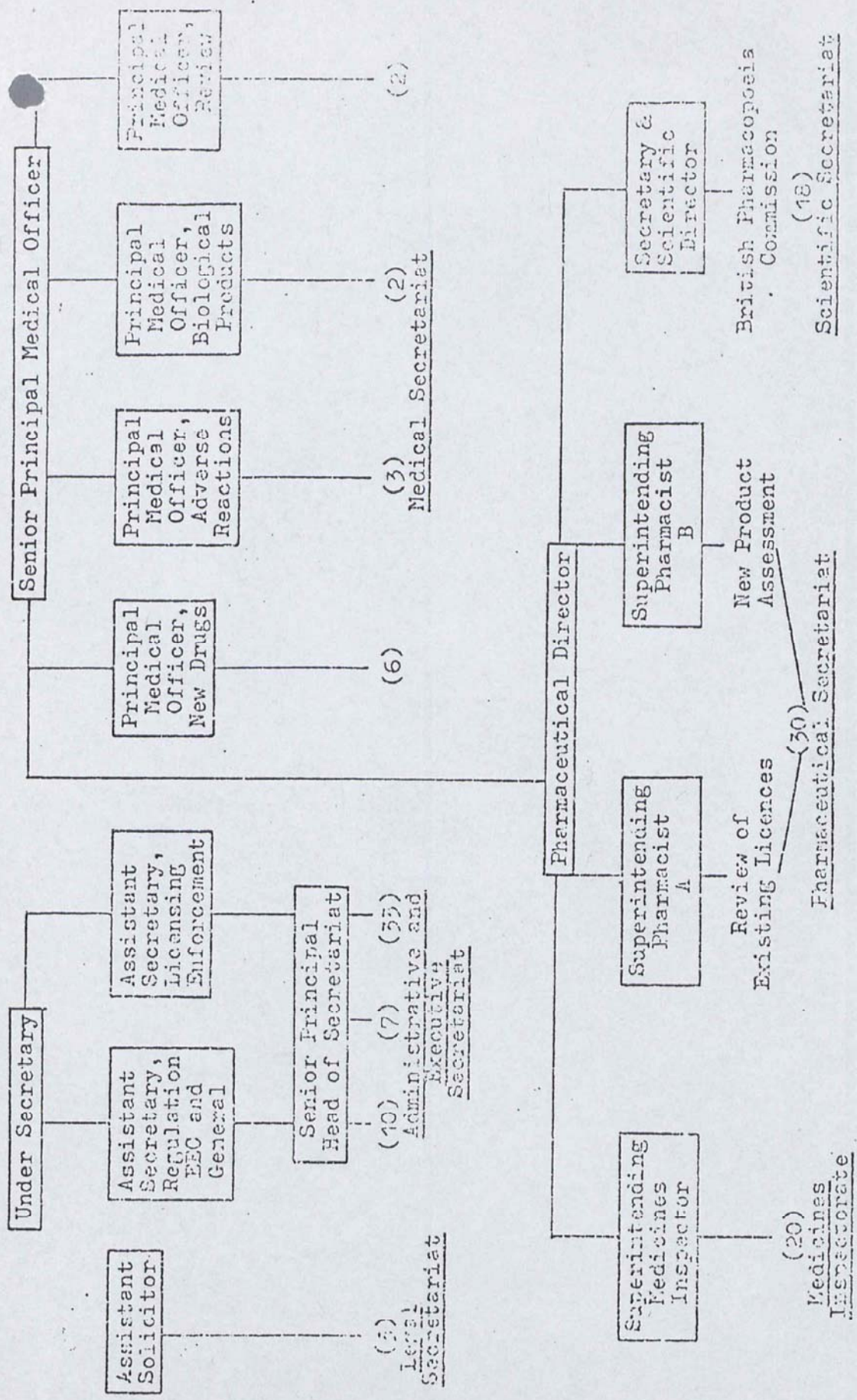


CLIFFORD GRAHAM  
DHSS

4 February 1981



Figure A - Organisation of Medicines Division



The figures in brackets refer to the number of staff in each Section.



Figure B - The Policy Process

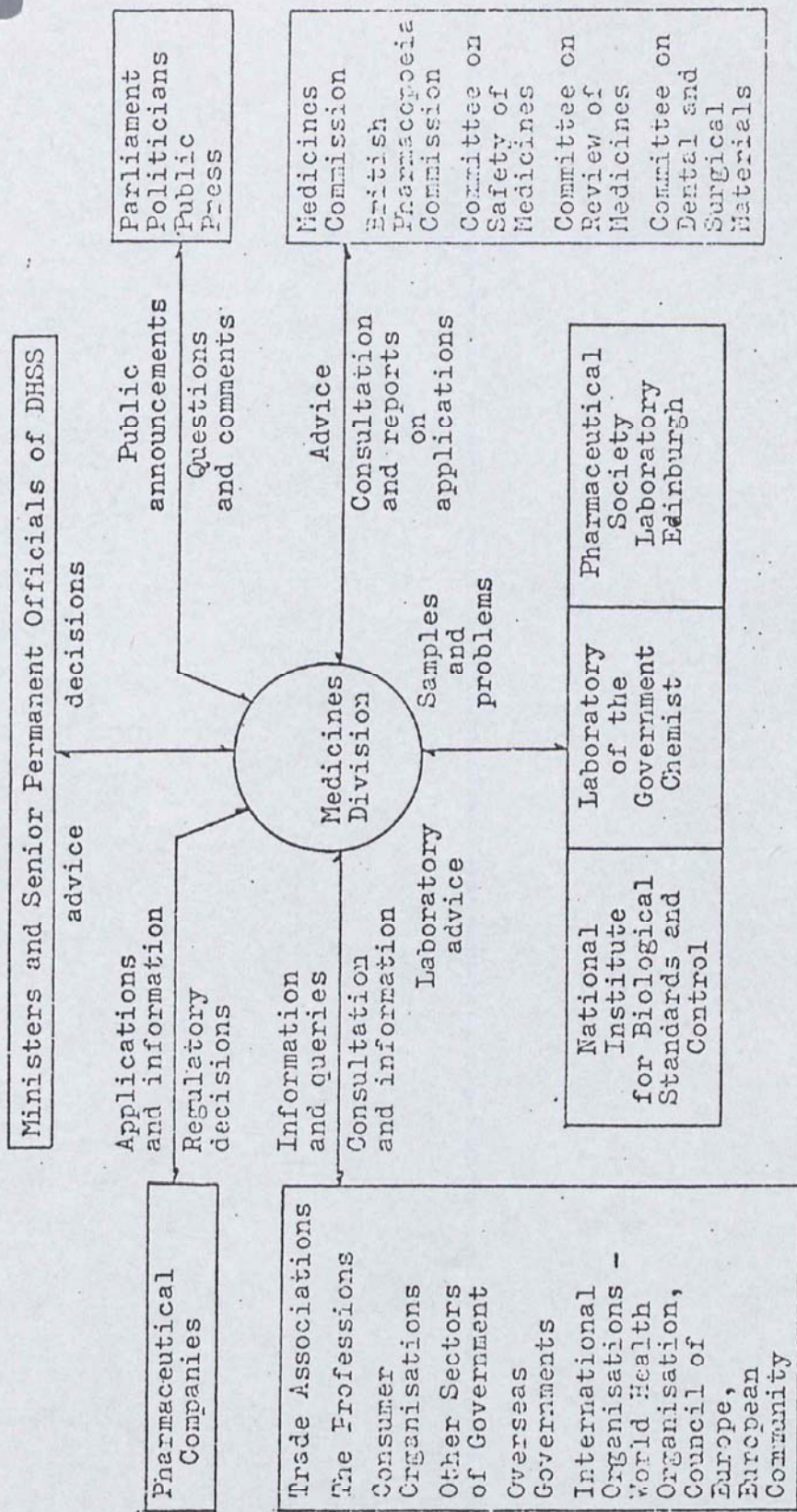




FIGURE C APPLICATIONS PROCEDURE : FLOW DIAGRAM FOR THE PROGRESS OF APPLICATIONS (PRODUCT LICENCE CLINICAL TRIALS CERTIFICATE)

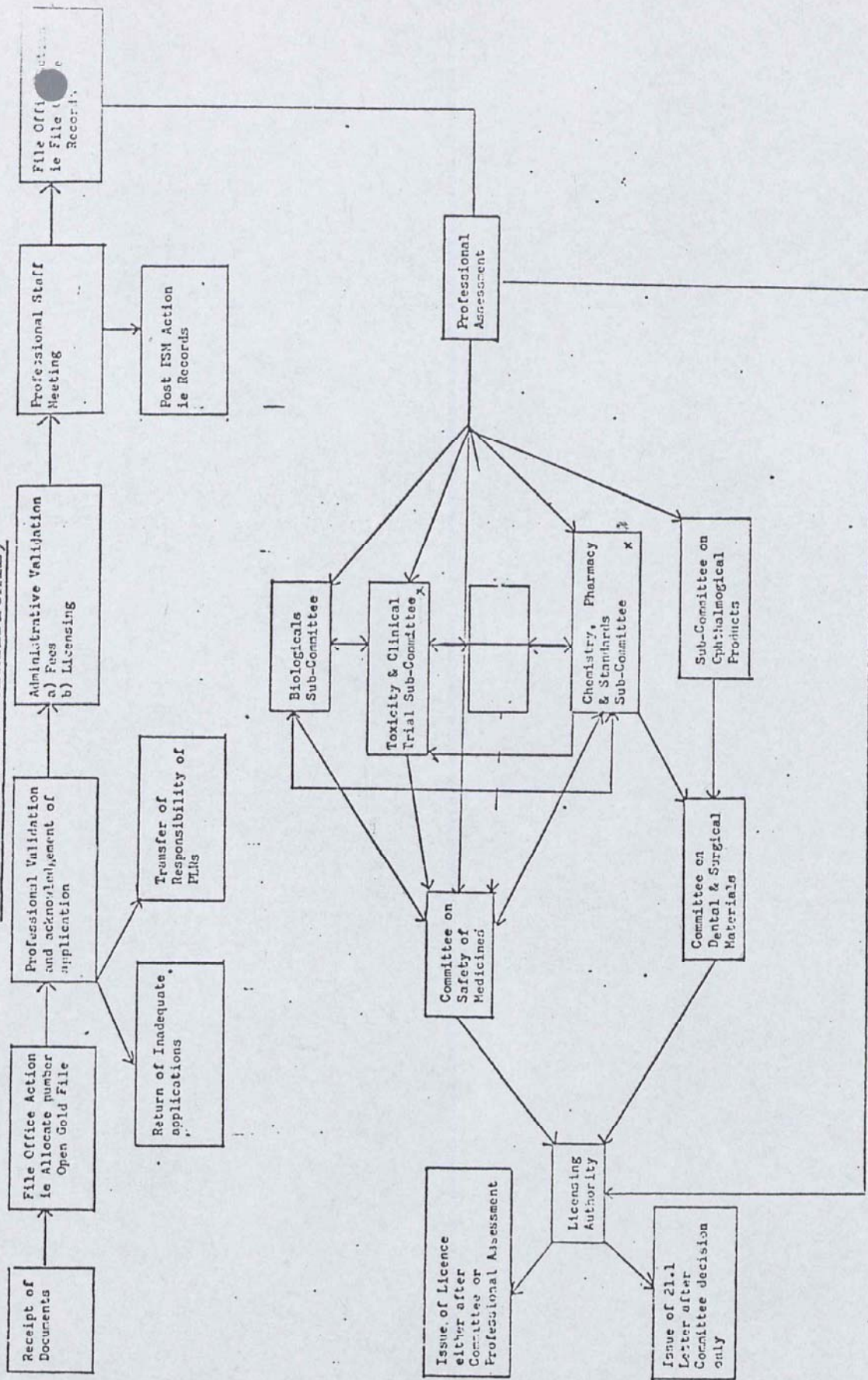




FIGURE D : THE BACKLOG

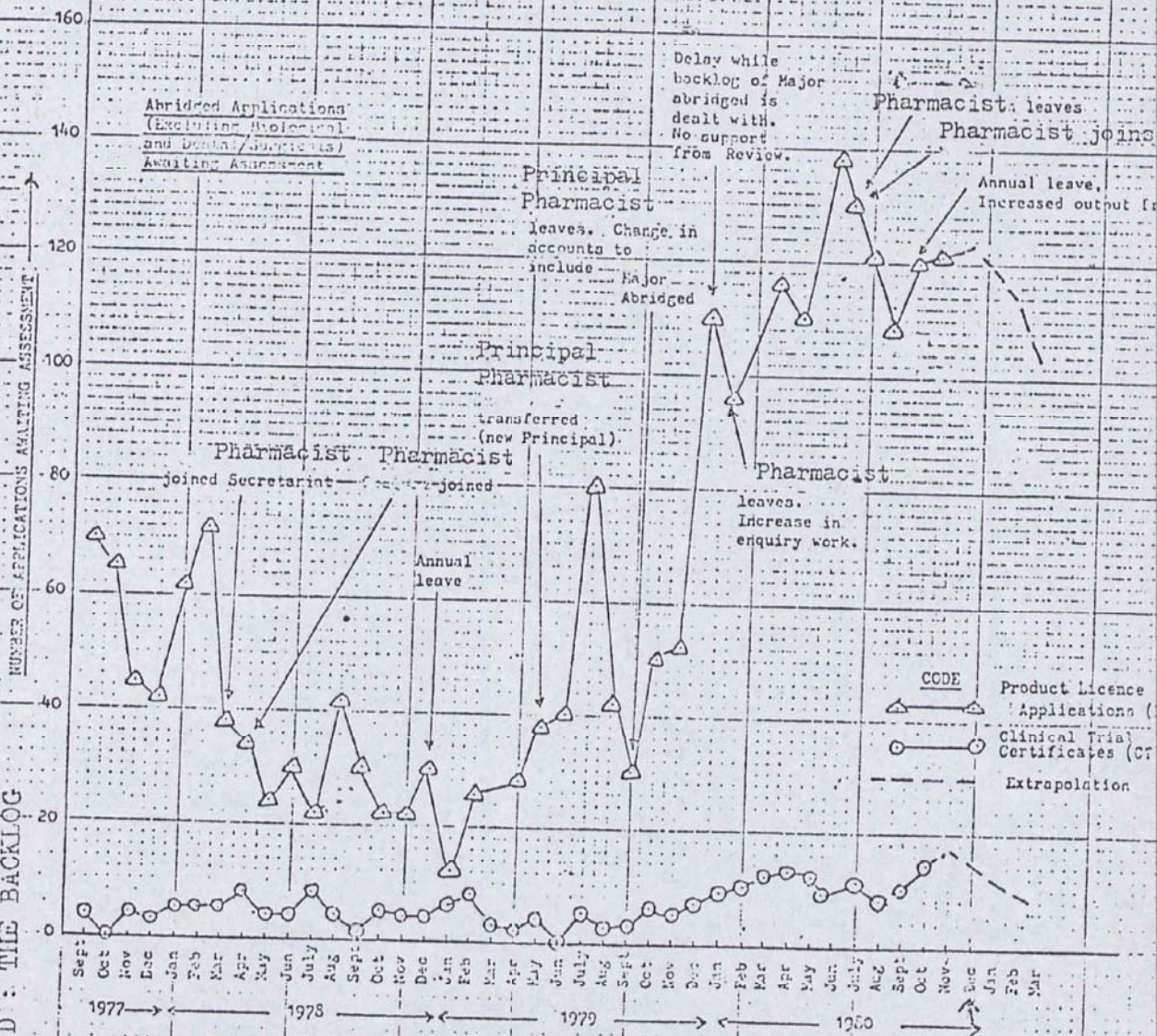




FIGURE E : PRODUCT LICENCE APPLICATIONS : MAIN STAGES OF DHS ASSESSMENT OF "ABRIDGED" APPLICATIONS  
(ie where compounds are already well known and documented)

STAGE 1 (APPROX 2 MONTHS)

INITIAL ADMINISTRATION  
(Including Professional screening)

This includes:

1. a well established process, including registration of papers etc;
2. a professional process, including decisions about the required route through which the application must travel;
3. professional allocation of work between specialist sections, on the basis of "peaks and troughs" as well as background experience.

STAGE 2 (APPROX 5 MONTHS)

MEDICAL AND PHARMACEUTICAL ASSESSMENT

This includes

1. examination of each application in turn by a pharmacist, and possibly also a doctor, to assess the safety, quality and efficacy (including safety in relation to quality) of the product;
2. assessment of medical indications and possible complications and dangers;
3. reference to expert committees;
4. consideration and investigation of manufacturing consequences and complications.

NB1

Stage 2 for straightforward "abridged applications might comprise 2-3 weeks of professional staff meetings and 2 to 3 weeks validation by a pharmacist and doctor; followed by about 2 weeks to process and issue the licence.

NB2

The routine administrative process forms only one part of Stages 1 and 3 and does not in general influence Stage 2.

STAGE 3 (APPROX 10 DAYS)

LICENCE PREPARATION

This includes:

1. preparing and issuing licence;
2. post-licence administration.



FIGURE F : COMPARATIVE PERFORMANCE OF DRUG REGULATORY AUTHORITIES :  
NUMBER OF MONTHS REQUIRED TO APPROVE DRUGS BY COUNTRY

Drug	United States	Canada	Norway	Sweden	Switzerland	United Kingdom
Beclomethasone dipropionate	26	8	8	19	7	5
Sodium valproate	5	(a)	(b)	(a)	45	3
Cimetidine	13	8	19	20	10	2
Protirelin	28	(a)	(b)	21	9	(c)
Vidabrine	23	12	(b)	(c)	(c)	6
Somatotropin	15	(b)	(b)	23	10	8
Sodium iodide I-123	20	(d)				
Diazoxide	40	11	14	(a)	14	(c)
Phospho lipids	14	24	(b)	43	3	7
Amino acids	12	16	(b)	23	7	(c)
Danazol	30	16	17	34	21	6
Prazosin	40	30	27	(a)	10	6
Disophyramide phosphate	54	19	36	80	17	(c)
Propranolol:						
Arrhythmias	17	23	9	16	4	5
Angina	17	11	9	16	4	5
Hypertension	18	19	14	16 <sup>k</sup>	4	(c)

a/Under review at agency at time of our review.

b/Not submitted to agency at time of our review.

c/Data not available.

d/Not available in other countries.

SOURCE : General accounting office USA



Mr PATTISON

*M. Allen*

*Miss Hines*

*For the DHSS file.*

THE SCRUTINY PROGRAMME: DHSS ACTIVITIES IN SUPPORT OF  
HEALTH-CARE EXPORTS

*P*

*8.4.80*

1. The rules of the scrutiny programme require that, in those cases where she has asked Sir Derek Rayner to take a particular interest on her behalf, the Prime Minister should have the opportunity of commenting on the findings at a stage when there is still an opportunity for her to influence the outcome.
2. The first of the relevant scrutinies to be completed is that named above.
3. I am not troubling you with the full text of the team's report to Sir George Young MP and Sir Derek Rayner, but you might like to see the attached extract, covering their conclusions and recommendations, and also Sir Derek Rayner's letter to Sir George Young of 30 April, both of which Sir Derek has told Sir George he will lay before the Prime Minister.
4. The team's main finding is that the work at present done by DHSS, costing between £0.6m pa and £1m pa, while useful, is somewhat hit and miss and possibly inimical to the real needs of the industry. The team suggests a radical shift in emphasis so that the industry itself is put into the lead by expanding the British Health-Care Exports Council to take over from DHSS specific export functions on behalf of industry. The team proposes that DHSS should help BHEC with such a reconstruction for up to three years and should gradually phase out its own work in support of health-care exports as a new strategy is developed and implemented. The effects looked for, in addition to an eventual saving of £0.5m pa, are clarifications of the roles and work of industry itself, DHSS and the BHEC. But the team very properly make the modest point that the re-oriented promotional activity they are discussing "can at best only provide marginal help so far as the export performance of the health-care manufacturing industry is concerned" (para. 1.7.8).
5. As you will see from Sir Derek Rayner's letter to Sir George Young, he has been pleased with this scrutiny; his recommendation is therefore that the Prime Minister endorse his letter to Sir George Young.

*C*

C PRIESTLEY  
8 May 1980

Encs: Summary of conclusions and recommendations by the  
scrutiny team  
Letter from Sir Derek Rayner to Sir George Young,  
30 April 1980



Cost of the scrutiny. We estimate this to be:

Salaries of scrutiny team:	£13,000
Travelling and subsistence:	£ 300
Time of people consulted:	£ 2,000
Estimated total cost:	<u>£15,300</u>

## 1.7. Conclusions

- 1.7.1 The present DHSS exports activity is largely conducted through two Branches - Industries and Exports Division, Branch 2 (IED2) and Works Group Branch, Health Building Overseas (HBO). The cost of their effort is, at the minimum, £600,000 per annum but, taking associated resource use into account, could be as much as £1m per annum.
- 1.7.2 DHSS effort impinges on a large number of organisations - FCO overseas Posts, Industry, the NHS, foreign Governments, trade and professional associations. Few agree that it is essential to their purpose. Most are agreed that, while useful and helpful, DHSS activities are fragmented, not all directed to the main problems and may be inimical to meeting the true needs of industry, in some respects, by competing with and confusing their own activities.
- 1.7.3 We think that the business of exporting is for industry. A central capacity deployed in support of individual companies is more likely to be deployed in a way which is attuned to the needs of companies if it is run by BHEC than if it is run by DHSS.
- 1.7.4 We conclude, therefore, that DHSS activities should be reorientated to form a contribution to a differently planned joint industry/Government strategy to expand and enhance the health care exports effort of the country. In this strategy, the main thrust - the striking force - should be industry, as represented by the British Health-Care Export Council (BHEC), and Government's part should be to provide pointed help, specialist expertise, finance and encouragement.
- 1.7.5 In general, DHSS should retreat from overseas activity, leaving Government input here to FCO Posts and industry itself, and should concentrate on building an export-orientated element into its activities - ranging much wider



that DHSS (and NHS) activities are geared to providing relevant, specific and rapid information and specialist expertise as and when industry or FCO Posts or overseas Governments or interests call for it. DHSS should provide an effective "door opening" mechanism to link the home based activities of UK exporters in the health care field (and NHS) to the health care requirements identified by FCO Posts or overseas Governments and interests, whilst still maintaining the traditional neutrality and impartiality required of the UK Government by overseas Governments.

- 1.7.6 From these conclusions we deduce that DHSS (and NHS) exports effort should not be diminished in scale but radically reorganised and redirected so as to build on the past 20 years investment by DHSS. If this is done, the country will provide a much more effective service for its exporters, at less cost for more input from DHSS (and NHS), because each partner will be doing the job for which it is suited. Industry will provide the entrepreneurs and executants and Government will provide the health care policies and expert back up to support the entrepreneurial action.
- 1.7.7 We recognise that our recommendations will require at least as great a change of attitude and organisation from industry as from Government; and we frankly admit that change in industry will almost certainly be more difficult to achieve than the comparatively straightforward redeployment of Government activity we envisage - given the staff changes which have already taken place or which will be required over the next few years as long serving DHSS staff retire and career planning takes its effect.
- 1.7.8 Such promotional activity can at best only provide marginal help so far as the export performance of the health care manufacturing industry is concerned. The industry earns overseas about £1000m, and even £1m of DHSS/BHEC expenditure must remain on the margin of such activity. Industry must produce the right goods at the right price and be prepared to sell them aggressively in the right place at the right time. Otherwise DHSS/BHEC efforts, past and future, will continue to pale into insignificance in the face of wider international events, such as recent events in Iran and Afghanistan; or domestic constraints such as an overvalued pound and the erosion of the home market volume by NHS spending cuts.



But we believe that it is now an appropriate time for industry to formulate its strategy for the 1980s, in the face of its urgent requirements in respect of overseas trade, alongside a Government which is also having to re-think its strategy for the use of its limited resources in support of industry's health care effort. We state this for the following main reasons:

- this Rayner scrutiny requires a full consideration of the issues directly affecting health care exports and provides a useful peg on which to hang the necessary wider discussion;
- Whitehall is already enquiring into related areas - through a parallel Rayner study into the Department of Trade's general support for exports, a re-examination of the requirements of FCO Posts and the Department of Industry's reconsideration of industrial strategy;
- Industry has recently embarked on a process of change, through the amalgamation of various trade associations in the British Health Care Trade and Industry Council (BHTIC) and the development of a new constitution and committee structure for BHEC;
- DHSS is already engaged in a process of change affecting the home market, through the creation of the Supply Council and the amalgamation of the Supply Division and the Industries and Exports Division;
- DHSS Works Group, including HBO, is to be the subject of a staff inspection; and senior staff in IED2 have retired or been transferred without replacement, pending the outcome of this Rayner scrutiny, and further retirements and other staff changes can be expected over the next few years.

It therefore seems most appropriate to use the opportunity created by all these separate but related events to draw up a new strategy for the support of health care exports, by industry and the Government.



1.8 Recommendations.

We therefore recommend:

- 1.8.1 A health care exports team should be established within DHSS to assist industry to draw up a strategy for the support of health care exports in the 1980s, in consultation with the British Health-Care Export Council (BHEC), other Government Departments, the NHS and overseas Governments and interests.
- 1.8.2 The team should comprise two full time members from DHSS, at Assistant Secretary level (say drawn from Industries and Exports Division and Works Group, with one to be nominated leader) and should have the authority to co-opt more members as necessary - drawing from DHSS Scientific and Technical Branch, from the NHS, from FCO, from the Department of Industry, from the Department of Trade, from the Defence Sales Organisation, and from outside industry.
- 1.8.3 The team should report to DHSS Deputy Secretary, Regional Group, in his role as Chairman of DHSS Exports Steering Group; and the membership of the Steering Group should be broadened to reflect Personnel, Finance, Regional Liaison and Health Services Development interests.
- 1.8.4 DHSS Supply Division, Scientific and Technical Branch ((STB), International Relations Division, Finance, Health Services Development, Personnel, Regional and Works Groups and Medical and Nursing Divisions should each identify a focal point, within their existing resources, to respond to the exports team and to the requirements of the health care exports strategy for the 1980s.
- 1.8.5 BHEC should be expanded to take on more, specific, health care export functions on behalf of industry, including most of those at present undertaken in DHSS by IED2 and HBO, the British Consultants Bureau, the Overseas Projects Group in the Department of Trade and individual Trade Associations; and should provide the channel from industry (pharmaceuticals, equipment, supplies and works) to Government on those exports activities which require a partnership between the DHSS exports team and BHEC.



DHSS should assist BHEC with this reconstruction, for a transitional period not exceeding three years; by seconding to BHEC one Principal and two Executive Officers from IED2; and, by providing financial assistance, up to a limit of one quarter of the existing headquarters administrative cost of IED2 and HBO, to fund specific functions identified in the exports strategy for the 1980s. In addition DHSS should make available suitable space, surplus to NHS requirements - preferably in a London teaching hospital, to house a new working administration and NHS display centre to support industry's long term health care exports effort.

1.8.7 The Association of the British Pharmaceutical Industry (ABPI) and the Proprietary Association of Great Britain (PAGB) should be encouraged to extend more of their exports activities to include representatives from DHSS and BHEC; and to work more closely with each other and with DHSS and BHEC in BHEC's development of a health care exports strategy for the 1980s.

1.8.8 DHSS should gradually phase out its present activities in support of health care exports, including the present branches - IED2 and HBO - as the health care exports strategy for the 1980s is developed and implemented and BHEC and DHSS gradually build up their new roles. The aim should be to make significant headway by the end of 1980 and to complete the transition by mid-1982, when only the two full time team members (supported by focal points and their Divisions and the BHEC) might be required in DHSS.

The financial effect of our recommendation is to save eventually about £500,000 a year. The major changes should be implemented by mid-1982 and should involve no net increases in public expenditure in any one financial year.





CABINET OFFICE  
70 WHITEHALL  
LONDON SW1A 2AS

*Mr. [unclear]*  
Thank you  
for your work on  
this.

OR 2338224

30 April 1980

[Blind copies:  
Mr Crawley  
Mr Butler  
Mr Russell]

*CP*  
2.V.80

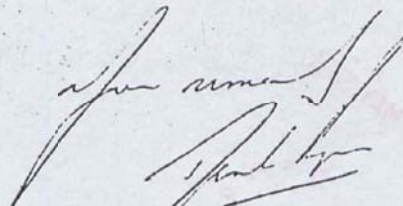
Sir George Young MP  
Parliamentary Secretary for Health  
Department of Health and Social Security  
Alexander Fleming House  
Elephant and Castle  
London SE1

*Dear Sir George,*

1. I read with great interest the scrutiny report on DHSS Activities in Support of Health-Care Exports. To my mind, the report exemplifies the scrutiny approach and both Mr Graham and Miss Shiells are to be congratulated on the thoroughness and excellence of their work.
2. I am completely at one with the report's conclusions on the present position, the broad direction of change identified as necessary and the means recommended for achieving that change. I do not under-estimate the difficulties of bringing into being the radical shift in emphasis proposed, not least the strengthening of the British Health-Care Exports Council. But I agree entirely with the report when it says (paragraph 3.31) that the industry must be faced with the challenge. I am sure that if pursued with determination by industry and government the new approach will result in greater effectiveness in the export effort. If industry fails to take up the challenge this would not in any case be an argument in my view for the DHSS reverting to its present lead role.
3. The case is well argued for each of the recommendations and I hope you will be able to give the proposals your full support. Proposals for change which impinge upon the interests of several groups are always particularly difficult to implement. This is as true in business as in Government. If this natural inertia is to be overcome it is my experience that there has to be a firm steer from the top.
4. I am content with the proposed timetable for action. Might I suggest, however that the action plan combines in a single document Part 4 of the report and what is now described as the draft action plan? It would also I think be helpful as a management document if it were more precise on the timing of the conclusion of each of the tasks and if it indicated who is to be responsible for seeing each action through to implementation.
5. I see that it is proposed that a shortened version of the report might be published. I welcome this openness. I would ask you only to consider publishing the report in full since it is so well written and exemplifies the scrutiny approach. Moreover I believe it can only be to your advantage to make publicly available all the evidence in support of the case for change.



. As you know the Prime Minister asked me to take a special interest in this scrutiny on her behalf. I am therefore copying to her this letter and the Report's summary of conclusions and recommendations. Copies of this letter also go to Patrick Nairne and Clifford Graham.



DEREK RAYNER



PERSONAL, COVERING CONFIDENTIAL

1. CAW to 2002  
2. PRIME MINISTER

2.

Mr PATTISON

For information

SCRUTINY OF DEFENCE SALES, MOD

MAP 20/3

1. Lest the Prime Minister expresses any concern about progress with this scrutiny, you may like to be fore-armed.

2. I attach a copy note recording a talk between Lord Trenchard and Sir Derek Rayner earlier this week.

3. Lord Trenchard does not want to expose the scrutiny too far or too early to the influence of the present Head of Defence Sales, which he thinks would be adverse. The Head retires in August. The plan is accordingly to set things up for a 1 June start.

4. Sir DR does not think this prevarication. That being so, he does not think it necessary to bring the matter formally to the Prime Minister's notice.

sp  
C PRIESTLEY  
20 March 1981

ms

Enc: Note of 18 March



NOTE FOR THE FILE

SCRUTINY PROGRAMME 1981: MOD

1. Sir Derek Rayner saw Lord Trenchard alone at the House of Lords yesterday. The outcome was as follows.
2. Lord Trenchard would like to get the Defence Sales scrutiny begun by 1 June. This would allow time for the successor to Sir Ronald Ellis to be identified and would so avoid any obstruction that might otherwise occur. (Sir R Ellis was due to go in August.)
3. As a result of joint thinking by Mr Nott and Lord Trenchard the following were likely to be offered for inclusion in the scrutiny programme later in the year.
  - a. Duplication;
  - b. The chain of procurement, beginning with the specification of the operational requirement and going right through to delivery.
4. Lord Trenchard apparently emphasised that neither of these were firm promises. The Duplication possibility might be discussed with Mr Nott when he and Sir DR met in April.
5. Finally, Lord Trenchard said that it would be helpful to have assistance from Sir DR in other areas informally, to which he readily agreed.

*C P*

C PRIESTLEY  
18 March 1981

*Mr. Buxley* 13/18/iii  
*Mr. Allen*  
*Mrs. Thomas*  
*Mr. Callon*

*To see and M, please.*

*2*  
*183*



SUBJECT



10 DOWNING STREET

From the Private Secretary

19 March 1981

re  
Government  
Machinery  
JFH

Dear David

The Prime Minister held a meeting on 17 March to discuss the issue of repayment of current costs by Departments to PSA. It was attended by the Chancellor, the Lord President, your Secretary of State, Sir Robert Armstrong, Sir Derek Rayner and Mr. Kemp. Discussion was based on Sir Derek Rayner's two minutes of 23 January, your Secretary of State's minute of 6 February, and the Chancellor's letter to your Secretary of State of 4 February.

Your Secretary of State said that repayment had been agreed for PSA supplies. The outstanding issue concerned accommodation: the interdepartmental group had recommended repayment for accommodation, with vote responsibility transferred to departments, and Sir Derek Rayner had endorsed this proposal. Your Secretary of State favoured an attribution system, with vote control remaining with PSA, as a first step. In his view, the more important question was the need for a collective decision that Ministers should follow the current programme of manpower reductions with a comparable programme of estate reduction. Sir Derek Rayner accepted the importance of the programme for reducing the estate, but argued that there was an overriding issue of principle about accountability. Unless departments paid for resources they consumed, they would not take responsibility. In the Government system, the obligations of departmental Accounting Officers were well understood, and a full repayment system would force departments to account to Parliament for their expenditure on accommodation.

In discussion, the savings in HMSO expenses resulting from the introduction of repayment were quoted. It was recognised that departments would need an incentive to seek economies on accommodation, and this would need to be taken into account in PESC handling of potential savings on accommodation. There was no desire to return to a system in which each department had its own substantial property management section. PSA would need to retain central authority, with the ability to challenge individual proposals, but probably without the responsibility for dealing in detail with every accommodation issue.

/ The wider

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- 2 -

The wider problems of PSA were also recognised, and a number of illustrations were given in support of claims of scope for improvement in PSA management. Your Secretary of State emphasised that limited untying was already starting, which would help to cope with such individual problems.

The Prime Minister concluded that there was a preference to move direct to a full repayment system along the lines recommended by the interdepartmental group. This would need to be accompanied by limited untying, and there should also be a review of all Government accommodation in parallel with the programmed reductions in central Government manpower.

The Prime Minister would now like other Cabinet colleagues to be consulted about these proposals. She would therefore be grateful if your Secretary of State, in consultation with the Chancellor, the Lord President and Sir Derek Rayner, could put a paper to colleagues. This will need to cover the interdepartmental group's report and Sir Derek Rayner's recommendations on it, and to record that this has been discussed by the Ministers involved in the March 17 meeting, who recommend that a repayment system should be introduced along the lines recommended by the interdepartmental group, as part of a programme which will also include an effort to reduce the Government estate in line with the manpower reductions and arrangements for some untying of services at present exclusively provided by PSA.

The Prime Minister hopes that agreement can be reached in correspondence. She would like the recommendations to be put to colleagues before Easter, in the hope that they can be accepted by the beginning of May. If necessary, she would be prepared for these questions to be discussed in Cabinet in the course of May.

The Prime Minister also favours Sir Derek Rayner's recommendation, in his second minute of 23 January, that there should be a development group which can refine the repayment proposals to take account of the detailed points which have been raised. But decisions in principle to go ahead need not await the establishment of such a group.

I am sending copies of this letter to Richard Tolkien (HM Treasury), Jim Buckley (Lord President's Office), David Allen (Sir Derek Rayner's Office) and David Wright (Cabinet Office).

*Yours ever*

*Mike Pattison*

David Edmonds, Esq  
Department of the Environment.

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PRIME MINISTER

Derek Rayner reports further proposals for the next round of scrutinies.

He recommends that you agree the revised or additional subjects listed in paragraph 6 of his minute. With the addition of these topics, he now believes that there is a useful programme for 1981.

Paragraph 7 covers a number of additional possibilities which may come to fruition later. In paragraph 9, Derek recommends revised ground rules in respect of small departments, defined as those employing less than 1,000 staff. In paragraph 10, he nominates a selection of scrutinies which he proposes to follow particularly closely, for varying reasons.

Content to endorse these recommendations?

Yes

MP

19 March 1981





PRIME MINISTER

THE SCRUTINY PROGRAMME 1981

This is to bring you up to date on how proposals now stand for this year's scrutiny programme. All Ministers have now made firm suggestions. A summary is attached, those 25 proposals already agreed by you are marked.

COVERAGE OF THE PROGRAMME

2. At the end of the first round of nominations, in January, the proposals covered about 8,000 posts. This was well below an acceptable response to Mr Whitmore's request of 1 December that some, if not all, scrutinies should focus on manpower intensive areas. You authorised me to go back to a number of Ministers to seek alternative topics.

3. The tally now stands at firm intentions for scrutinies covering staff in excess of 20,000 and good prospects that the final coverage could be about 30,000 posts. This is approaching the target coverage of 40,000 - 50,000 necessary if - on reasonable assumptions about the average level of savings which will be achieved - a potential result like last year's is to be achieved.

Recommendation 1 4. I think that this provides a sound enough base for the 1981 programme, subject to continuing to look for additional scrutinies later in the year in manpower intensive areas from the Secretaries of State for Defence and for Social Services. You have already agreed this course of action in respect of Mr Nott.



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TOPICS ALREADY AGREED

5. You have so far accepted 26 topics for the 1981 programme:

- The Forensic Science Service (HO) (No 1 in the Annex)
- VAT registration and de-registration (No 6)
- Customs procedures and attendance outside normal hours (No 7)
- PAYE files and contents (No 10)
- Inland Revenue Repayment Procedures (No 11)
- Procedures for financing R & D (DOI) (No 13)
- Declarations of entitlement for public service pensions (PGO) (No 14)
- CSD delegation of authority (No 15)
- HSE certification of products (No 19)
- Defence Sales (No 20)
- Financial control and accountability in MOD (No 21)
- MOD Group travel (No 22)
- Defence telecommunications (No 23)
- Dissemination of information in MOD (No 24)
- Fisheries research (Nos 25 and 29)
- Administrative cost centres in DOE (No 26)
- PSA custody service (No 27)
- HM Inspectorate of Schools (Nos 28 and 37)
- Employment services in Northern Ireland (No 30)
- Final relevant year provision for State Pension (No 31)
- Handling of casework in DHSS headquarters (No 32)
- Handling of routine prosecutions in the provinces (No 34)
- V & A and Science Museums (No 38)
- Winter maintenance of trunk roads and motorways (No 39)



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REVISED PROPOSALS

6. I have discussed further with departments, in some cases with Ministers, proposals which were of doubtful Recommendation 2 acceptability. I recommend that you agree to the following revised or additional subjects:

Foreign Secretary/Minister for Overseas Development

<u>Subject</u>	The generation and transmission of information - (Annex No 2)
<u>Cost</u>	At least £1.4 million
<u>Remarks</u>	The remit has been broadened to consider whether the present volume of paper generated and received in the FCO/ODA is justified.

Chancellor or the Exchequer

<u>Subject</u>	Typing and secretarial services in the Treasury (Annex No 4)
<u>Cost</u>	£1 million, 167 staff
<u>Remarks</u>	The Chancellor has confirmed that he would welcome the help a scrutiny could give in an area which is important to achievement of the Treasury manpower target. He is also looking for a second Treasury subject (see paragraph 7 below).

Customs and Excise

<u>Subject</u>	Customs procedures and attendance outside normal working hours (No 6)
<u>Cost</u>	To be identified but believed large - up to 7500 staff
<u>Remarks</u>	The scrutiny will now range over the work of all the staff engaged in customs procedures and deal with the fundamental question of when and where resources should be deployed throughout the customs area.



Department for National Savings

Subject            Post Office errors affecting National Savings (Annex No 8)

Cost                £0.7 million

Remarks          The Lord President and I are prepared to accept this as a start provided we can be confident that a more wide ranging scrutiny on operating procedures in the Department is firmly in prospect for later in the year (See paragraph 7).

Inland Revenue

Subject            The administration of Schedule D tax (Annex No 12)

Cost                9500 staff

Remarks          Schedule D is an expensive tax to administer compared to, say, PAYE. The Inland Revenue has been looking at ways of improving matters in an internal review since last summer. The Chancellor agrees that the freshness of the scrutiny approach could contribute to making progress.

Secretary of State for Employment

Subject            The administration of work permits (Annex No 17)

Cost                £1 million

Remarks          The scrutiny will consider the essential procedures involved in the administration of work permits and the scope for charging employers to cover the costs incurred.

Manpower Services Commission

Subject            Procedures for dealing with special programmes sponsors (Annex No 18)

Cost                At least £14 million



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Remarks

An interesting and important suggestion to replace the earlier proposal about the MSC's help to disabled people. The scrutiny would look at the arrangements to ensure the operation of the programmes gives value for money, to cut out fraud and abuse (eg through substitution for labour which would have been employed anyway), and to minimise the administrative burdens imposed on the employers who participate.

Secretary of State for Scotland

Subject

Fisheries Research (Annex No 29)

Cost

Not known

Remarks

This scrutiny will be mounted in parallel with that to be undertaken by MAFF to complete coverage of fisheries research in government.

Secretary of State for Social Services

Subject

The financial and administrative arrangements of the Family Practitioner Committees (Annex No 33)

Cost

Large

Remarks

An important subject - the first on health. The Committees handle expenditure approaching £2,000 million a year. The structure of the Family Practitioner Services (including terms of service and pay of the professions) would not be covered. For tactical reasons the subject would not be announced until after the general practitioners' annual conference (June/July).

Secretary of State for Energy

Subject

International work of the Department (Annex No 36)



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Cost

At least £875,000

Remarks

This subject links up with the possible FCO scrutiny about the use made of the talent in the Diplomatic Service (paragraph 7 below). The Department of Energy has seen a rapid growth in the costs of its international work in the past decade. The scrutiny will consider how far attendance at international energy conferences could be left to the Diplomatic Service.

OUTSTANDING ISSUES

7. I am still in negotiation with a handful of Ministers about possible further additions to the programme:

Home Secretary - I expect to know by the end of the month whether there is scope for a second scrutiny topic given that the Forensic Science Service is unlikely to produce much in the way of savings.

Foreign Secretary - I am hopeful that a wide-ranging scrutiny can be mounted into the use made of the talent available in the diplomatic service serving overseas (No 3 in the Annex). I do not see this as a re-run of the CPRS exercise, but as a matter of making the best of the very able people now deployed overseas.

Chancellor of the Exchequer - I await proposals for a topic covering an aspect of Treasury financial control which I regard as very important given the need to improve financial management (Annex No 5). It would supplement (a) the 1981 scrutinies on MOD financial control, DOE local cost centres, CSD delegation of powers and DOI procedures for the finance of R & D projects; and (b) the work of the



Financial Management Co-ordinating Committee announced in the White Paper about the future of the CSD.

Department for  
National Savings

- The scrutiny technique has barely come to grips with DNS. I see scope for simplification of procedures. The Lord President and I hope that the Chancellor will agree to a wide-ranging study for the autumn. This prospect is shown as No 9 in the Annex.

Lord President of  
the Council

- Lord Soames has recently told me that he expects to come forward shortly with a scrutiny proposal about the work of the Government Actuary's Department (No 16 in the Annex).

Secretary of State  
for Social  
Services

- We still do not have a major scrutiny for 1981 in the social services area. I do not wish to harrass Mr Jenkin, who thinks he has enough on for this year, and I am aware that there is much work to be done in following up the earlier scrutinies. Even so, the Lord President and I think it right to press for a large exercise later in the year, given the difficulties over ESSP and the pressures tending to push up DHSS numbers.

Secretary of State  
for Wales

I await revised proposals.

EXEMPTIONS

8. I have eased off on the Lord Chancellor's departments, having, at your request, applied no more than a gentle pressure which Lord Hailsham has resisted.



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The Paymaster General also asked (his letter to you of 22 January) whether consideration could be given to the special problems of small departments with a view to their being required to participate occasionally rather than on an annual basis. I have consulted the Lord President about this.

Recommendation 3

9. We accept that a requirement to participate each year would be hard on departments of narrow function or restricted size. But it was agreed at the outset that it would not be right to exclude any department from the programme automatically. It would be reasonable to expect those departments employing, say, 1,000 staff or more to make serious efforts to conduct at least one scrutiny a year and in the case of large departments, as now, to conduct several. Departments employing less than 1,000 staff might reasonably be expected to conduct scrutinies every two or three years. If you are content, I propose to deal with this point when I circulate the agreed programme for this year to Ministers.

MY ASSOCIATION WITH THE PROGRAMME

Recommendation 4

10. The topics this year fall under four main headings. If you agree, I propose to take a particular interest on your behalf in the scrutinies listed below (numbers refer to the Annex):

a. Aspects of control

- 5 Treasury control (when agreed).
- 13 Procedures for DOI financing of R & D.
- 15 The delegation of CSD authority to departments.
- 21 Financial control in MOD.
- 26 Control of administrative costs in DOE central.

b. Large systems

- 6 VAT registration and de-registration.
- 7 Customs procedures and attendance outside normal hours.
- 9 DNS operating procedures (when agreed).



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- 10 PAYE files and contents
- 11 Inland Revenue repayment procedures.
- 12 Administration of Schedule D.
- 18 MSC procedures for special programmes sponsors.
- 22 MOD Group travel.
- 30 Employment services, Northern Ireland.
- 33 Administrative and financial procedures of Family Practitioner Committees.

c. Subjects of unusual interest

- 3 Use of diplomatic service personnel overseas (when agreed).
- 20 Defence sales (as you have already requested).
- 28 )
- 37 ) HM Inspectorate of Schools (as you have already requested).
- 32 DHSS Casework.

d. Subjects related to service-wide scrutinies

- 1 The Forensic Science Service, HO.
- 25 )
- 29 ) Fisheries Research, MAFF and Scottish Office.

SUMMARY

11. I should be grateful for your agreement to:

Recommendation 1 (para. 4) - the broad size envisaged for the 1981 programme subject to continuing to look for additional scrutinies in manpower intensive areas in Defence and Social Security.

Recommendation 2 (para. 6) - the revised or additional 10 acceptable scrutinies.

Recommendation 3 (para. 9) - my proposals for the participation of smaller Departments in the scrutiny programme.



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Recommendation 4 (para. 10) - my particular association with  
the scrutinies listed.

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



DEREK RAYNER

18 March 1981

Enc: Summary details of 1981 scrutiny programme.

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MINISTER	PROJECT	STATUS ENVISAGED (P = particular interest (G = general interest)	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STARTING AND FINISHING DATES	NAMES OF PROJECT OFFICERS	LIATSON OFFICER
Home Secretary	1. The Forensic * Science Service	P	Lord Belstead	Increasing workload and manpower constraints have put heavy pressure on the service	£15m 600 staff	1 April (or later) Up to six months	Allan Turney (AS)	Mr Beesley
Lord Chancellor	a. No proposal owing to current management review. b. And has now turned down the idea of a scrutiny in a secondary department.							
Foreign Secretary	2. The generation and transmission of information	G	Mr Douglas Hurd MP	Large volumes of paper are generated and moved using labour intensive procedures	At least £1.4m in wages and salaries N/K	3 - 4 months start not specified N/K	N/K N/K	Mr Beesley Mr Allen
Chancellor of the Exchequer HM Treasury	4. Typing and Secretarial Services 5. Aspect of Treasury control still to be agreed	G P		Complements registry and clerical services study. Present service not satisfactory	£1m 167 staff	April-August 1981 N/K	N/K N/K	Mr Beesley Mr Priestley
HM Customs & Excise	6. Procedures for * dealing with and amending VAT registrations and de-registrations	P	Lord Cockfield	VAT is a major function potential for big savings	£5m 500 staff	2 March - middle/end July 1981	Douglas Tweddle (P)	Mr Allen
Department for National Savings	7. Customs procedures * and attendance outside normal working hours 8. Investigation of Post Office errors in recording deposits and withdrawals 9. Operating procedures	P G P	Lord Cockfield Lord Cockfield	Costly in manpower and shift payments Cost of correction may be disproportionate to size of errors	To be identified £0.7m	2 March - mid/end July 1981 16 March - July 1981 N/K	Peter St Quinton (P) Scott Speedie (P) N/K	Mr Beesley Mr Beesley Mr Beesley

\*Proposals already accepted by Prime Minister

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MINISTER	PROJECT	STATUS ENVISAGED (P = particular interest G = general interest)	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	STARTING AND FINISHING DATES	NAMES OF PROJECT OFFICERS	LIATSON OFFICER
Inland Revenue	10. PAYE files * and contents	P	Lord Cockfield	May be nothing of permanent value on many files. Big savings if eliminated	200 - 300 man years	Sept. - Nov. 1981	John Yard	Mrs Thoms
	11. Repayment * procedures in claims and PAYE sections of tax divisions	P	Lord Cockfield	Scope for relaxing scrutiny procedures and making methods less formal	1300 staff units	April - June 1981	Gerald Scull	Mrs Thoms
	12. Administration of Schedule D tax	P			9500 staff	Summer 1980 - June/July 1981	John Yard	Mr Allen
Secretary of State for Industry	13. Administration of DOI * Finance for R & D in industry	P	Mr Norman Tebbit MP	Large sums and numbers of staff involved	Programme costs £200m a year, the administration £10m (850 staff)	April - July 1981	Callum McCarthy (AS)	Mr Beesley
Paymaster-General	14. Declarations of * entitlement for public sector pensions	G	Mr Francis Pym MP	Not fully evaluated after the law ceased to require them	£70,000	Sept. - Nov. 1981	John Breenen	Mr Beesley
Minister for the Civil Service	15. The delegation * of authority to other depts.	P	Mr Barney Hayhoe 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	Rob Hull (P)	Mr Priestley
	16. The work of the Government Actuary's Department	G				N/K	N/K	Mr Beesley

\*Proposals already accepted by Prime Minister



MINISTER	PROJECT	STATUS ENVISAGED (P = particular interest G = general)	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	START AND FINISHING DATES	NAMES OF PROJECT OFFICERS	LIAISON OFFICER
Secretary of State for Employment	17. Work Permits Division	G	Mr David Waddington MP	Expensive Possible "read across"	£1m	March-July 1981	N/K	Mr Beesley
Manpower Services Commission	18. Procedures for dealing with special programmes sponsors	P	Sir Richard O'Brien (Chairman MSC)	To cut costs and ease the burden on sponsors	£14m+	April-July 1981	N/K	Mrs Thoms
Health and Safety Executive	19. Approval testing and certification of products under the 1974 Health and Safety at Work Act	G	Mr Simpson (Chairman HSC)	New schemes coming from EEC, need to see how work should be organised	£2m	Jan. 1981 for 3-4 months	Adrian Cohen (SFSO)	Mr Beesley
Secretary of State for Defence	20. Defence Sales Organisation	P				N/K	N/K	Mr Beesley
	21. a. Financial control and b. Financial accountability	P				a. Feb-31 March b. April -	Bill Reeves (AS)	Mr Priestley
	22. Group travel on duty by service personnel in the UK	P	Mr Philip Goodhart MP	Standing arrangement with British Rail to be re-negotiated in '81	£33m+	May-Aug.	David Pollock (P)	Mrs Thoms
	23. Defence Tele-communications	G	Mr Philip Goodhart MP	Scope for rationalisation using new technology	£56.5m (300 staff)	Sept-Dec.	Miss Alexa Walker (P)	Mr Beesley
	24. Dissemination of information	G	Mr Philip Goodhart MP	Scope for rationalisation using new technology	£0.5m+	N/K	N/K	Mr Beesley
Minister of Agriculture Fisheries & Forestry	25. Fisheries Research and the work of the Torry Research Station	P	Mr Peter Walker MP	Effort high in relation to the contribution of fishing to GDP	Staff £5.4m (650 man-years) Other £6.1m	Sept. 1981 Jan. 1982	SFSO + PRIN.	Mr Beesley
Secretary of State for the Environment	26. Control of administrative costs in DOE central and scope for local cost centres	P	Mr Michael Heselaine MP	Survey of running costs revealed need for tighter grip on central staff costs	£44m plus £38m from other departments	Jan. - April 1981	Chris Joubert (Econ. Adviser)	Mr Allen

\*Proposals already accepted by Prime Minister

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MINISTER	PROJECT	STATUS ENVISAGED (P= particular interest G= general interest)	MINISTER IN CHARGE OF PROJECT	REASON FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	START AND FINISHING DATES	NAMES OF PROJECT OFFICERS	LIAISON OFFICER
FSA	27. Custody * service provided to depts. having no capability of their own	G	Mr Geoffrey Finsberg MP	Demand-led. FSA do not control numbers	£6.1m 830 posts	16 Feb. for 3 months	Eric Turtle (P)	Mr Beesley
Scottish Office	28. Role organ- <sup>*</sup> isation, staffing, and effective-ness of HM Inspectorate of SCHOOLS in Scotland	P	Mr Alex Fletcher MP		£3.25m (150 staff)	Jan. - May 1981	Peter Rendle (retired US)	Mr Priestley
	29. <u>Fisheries Research</u>	P				N/K	N/K	Mr Beesley
Forestry Commission	<u>In correspondence with SO and MAF</u>							
Secretary of State for Wales	New proposal awaited							
Secretary of State for Northern Ireland	30. Organisation * systems and deployment of resources in the NI <u>Employment Service</u>	P	Mr Michael Alison MP	To ensure NIES is providing value for money	£5.65m 630 staff	Jan. - May 1981	Derek Alexander (P)	Mr Allen
Secretary of State for Social Services	31. Administra- <sup>*</sup> tive implica-tions of 'final relevant year' provision for pensions	G	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	Brian Bridges (AS)	Mr Beesley
	32. Handling of Case- <sup>*</sup> work in DHSS Head- <u>quarters</u>	P	Sir George Young MP	Despite recent initiatives the heavy load might be handled better. Possible wider implications	375 staff and £7m Approx.	likely May start	N/K	Mr Priestley
	33. <u>Administrative and financial procedures of Family Practitioner Committees</u>	P		Large monies involved	? ?	Aug/Sep. - Dec.	N/K	Mrs Thoms

\*Proposals already accepted by Prime Minister



CONFIDENTIAL

MINISTER	PROJECT	STATUS ENVISAGED (P = particular interest G = general interest)	MINISTER IN CHARGE OF PROJECT	REASONS FOR SELECTING SUBJECT	COST OF ACTIVITY UNDER SCRUTINY	START AND FINISHING DATES	NAMES OF PROJECT OFFICERS	LIAISON OFFICER
Secretary of State for Trade	34. Handling of * routine prosecutions by the Solicitor's Dept.	G	Mr Reginald Eyre MP	May be more efficient to use private sector solicitors in the provinces. Possible wider relevance.	£370,000 pa	April-July 1981	Michael O'Shea	Mr Beesley
Secretary of State for Energy	35. Association with internal scrutiny of common services in Establishments and Finance	P			2100 staff	April-July 1981	Stuart Hampson (AS)	Mr Priestley
Secretary of State for Education and Science	36. International work of the Department	G	Mr Norman Lamont MP	Effort grown rapidly. Timely to take stock	Unknown - £875,000 pa at a minimum	April-July 1981	N/K	Mr Beesley
Secretary of State for Education and Science	37. Role, organisation, staffing and effectiveness of HM Inspectorate of Schools in England and Wales	P	Baroness Young	The Inspectorate accounts for a large proportion of DES's manpower and expenditure	£13.5m (400 staff)	Jan-end June 1981 (May take rather more than 90 days)	Nick Stuart (US)	Mr Priestley
Secretary of State for Transport	38. Review of * activities of V & A and Science Museums	G	Mr Paul Channon MP	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	Clifford Bamfield (retired US)	Mr Beesley
Secretary of State for Transport	39. Winter * maintenance of trunk roads and motorways	G	Mr Norman Fowler MP	Increased spending does not appear to be matched by better results	£4-9m a year, depending upon weather	3 months from March 1981	David Rowe (P) Vladis Servas (Prin. Engineer)	Mr Beesley

\*Proposals already accepted by Prime Minister

CONFIDENTIAL

(13 March 1981)



File

1.

10 DOWNING STREET

18th March, 1981

1. M. Pattison ~~MAD~~
2. Prime Minister ~~HAS SEEN.~~

The P.S.A. Attribution or Recharging

At yesterday's meeting Michael Heseltine advanced the view that the P.S.A. property portfolio was exceedingly vast. (And probably quite unmanageable?). He moved on to argue that it would be very dangerous to devolve the management to the individual ministries, who would build themselves palaces. (We don't seem to have done a bad job of building palaces under the present arrangements). He argued further that, having then established that central control and ownership of property are necessary, the difference between attribution and recharging was, therefore, marginal.

I attempted to suggest that central ownership was not necessary, and control and management might be better left, with a residual checking function at the centre, to the departments. Robert Armstrong suggested this was a different subject, which is true, but Michael was founding his argument for attribution on the (definitely not proven) basis that central ownership, management and control were all desirable.

I would seriously question this assumption. It seems to me to represent the Associated Electrical Industries style of head office management, as opposed to the G.E.C. style of decentralised responsibility with a very small monitoring force at the centre. We know which of the two works better given the right structure of carrots and sticks.

The reason for returning to this topic is that when changes are made in the top management of P.S.A. I could suggest a candidate who would be committed to the decentralisation G.E.C. approach. It seems likely that Michael will put forward a candidate who believes that all Government property management and ownership should be done by the P.S.A. at centre. I would hope that you would consider which approach is the right one before making any decision as to who should do the job.

D.W.



PRIME MINISTER

The PSA meeting settled the repayment issue, but there was not time to consider procedure.

The inter-departmental group's report was submitted to you by Derek Rayner in consultation with Mr. Heseltine. The meeting agreed to proceed along the lines recommended by the report, as part of an approach to PSA issues which would also cover reduction of the Government estate and untying for some services on which PSA at present have a monopoly.

In present circumstances, you may feel that other Cabinet colleagues should now be consulted, rather than informed, of these decisions. They do have important implications for Departments, and a number of Permanent Secretaries can be expected to encourage their Ministers to speak up on the subject. Should we now therefore:

- (i) Commission Mr. Heseltine to inform colleagues of the recommendations submitted through Sir Derek Rayner; and to
- (ii) Inform colleagues that he (Mr. Heseltine) has discussed these proposals with you, the Chancellor and the Lord President and that you jointly recommend to colleagues that there should be a repayment system with transfer of vote responsibility, coupled with a drive to reduce the Government estate in line with planned manpower reductions, and with some untying;
- (iii) Seek agreement in correspondence, although offering to have this discussed in Cabinet if there is strong pressure to do so.

Derek Rayner's submission to you also proposed that the group who produce the proposals should in effect continue in existence as a development group, to refine the proposals as they are put into place. You agreed in principle at the time, although this was not raised at yesterday's meeting. Should we tell Mr. Heseltine that you would wish such a development group to be established for the period of implementation?

18 March 1981

MA  
Try to clear in  
correspondence.



[Weekend]

Saw Mac  
Secretary  
PE 8



From the Private Secretary

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

Mike Pattison  
Private Secretary to the Prime Minister  
10 Downing Street  
LONDON SW1

17 March 1981

*Agreed with Prime Minister*

Dear Mike,

*Lord Soames seeks your approval for the attached outline of the proposed White Paper on efficiency. He will submit a full draft next month. The Intervention section looks very weak (paras 9-10) and paras 14-18 might be amalgamated into one crisp section.*

WHITE PAPER ON EFFICIENCY

Your minute of 7 November said that the Prime Minister would like to report to Parliament about what has been achieved and what is in hand on efficiency in central government. In my minute of 17 November I told you that the Lord President agreed that this would be useful and that it should take the form of a White Paper early in 1981. *But, usually this seems to cover the ground. Agree?*

Further reference to the Government's intention to publish a White Paper describing the past and future work of the CSD and departments generally in the pursuit of efficiency was made at the conclusion of the Government's statement on the future of the CSD (Cmd 8170).

*MAR 1981 3*

Departments have been invited to provide material to help to illustrate their achievements and progress. Some of this might go into an Annex with as many hard facts and figures as possible. The Lord President has asked officials to prepare a first full draft for him to consider by the end of the month and he would like at that stage to consult the Prime Minister and Sir Derek Rayner.

In the meantime he would be grateful to know whether a report to Parliament drawn up on the outline attached would fit with what the Prime Minister has in mind.

The outline has been seen by Sir Derek Rayner who considered that, on the whole, it promised a substantial, creditable and important document. He has made a number of comments which have been taken into account in the outline and which we will do our best to reflect more fully in the drafting.

I am sending a copy of this letter to Clive Priestley.

*Yours sincerely,  
Jim Buckley.*

J BUCKLEY



Introduction

The administrative costs of central government will total [ ] in 1981-82; there are 695,000 civil servants. One of the government top priorities is to improve efficiency, eliminate waste and promote methods of administration which give the best possible value to the taxpayer. The White Paper is a progress report on the Government's approach to this task and what has been done so far.

Role of Ministers and Civil Servants

2. A brief section, highlighting the commitment of Ministers collectively and individually to efficiency and the elimination of waste and to their sustained interest in seeking improvements. Emphasise that Ministers alone set the priorities and that they accept the need to give a clear lead on improving management and efficiency. Given this clear lead, and under Ministerial overview and direction, the Government looks to the Civil Service to secure the improvements in management and in the quality of administration and to act as the main agent of change. It believes that the Service has welcomed the renewed emphasis it has placed on good management and it has been encouraged by the response. Change requires people to think and behave in different ways and is often not easy. It is bound to affect the interests both of staff and of many different parts of the public at large. The Government will continue to proceed by consultation and at every stage keeping staff involved.

Link with Manpower Policies

3. The Government aims to reduce the size of the Civil Service to 630,000 by April 1984. Already there has been a reduction of 35,000, saving £X m. a year. Some reductions are being achieved by reducing the functions of government and transferring work out of central government where that is consistent with good management and value for the taxpayer's money. But much of the savings must come from doing the work that remains more efficiently. It is essential that Departments make systematic plans for this to meet the manpower targets set for 1984. At the same time, efficiency is not just about manpower; it concerns the use of all the resources involved in administration and containing the other costs as well.



## Government's Approach to Management and Efficiency

4. Important to create the right environment for efficiency. This needs institutional reform and changes affecting people. Main elements in this are:

- a. close attention to the justification for the costs involved in each administrative activity by reference to the real value which it adds. Much work on efficiency done before but in the current climate of restraint on resources greater impetus now being given and a recognition that a sustained political momentum for efficiency is needed. The environment is right for introducing simplification and streamlining of administration not considered possible even a year or two ago. For this purpose, existing instruments are being strengthened - eg staff inspection, MS studies and new devices adopted - particularly scrutinies (a brief description).
- b. Defining and clarifying the roles of those in key positions in particular the Minister and under him the Permanent Secretary and Accounting Officer and those specifically responsible for the management of manpower and financial resources.
- c. Sharpening the control and examination of costs by placing responsibility and accountability with the managers responsible for consuming the resources - reference to the review of the Government Accounting framework: developments in management accounting and internal audit: moves towards repayment for common services: the running costs scrutiny, local budgets: cost consciousness campaign.
- d. Developing personnel policies designed to improve efficiency - training, succession planning, chain of command review and early retirement policies.

## Organisation of Government for Efficiency

5. In its response to the first report of the Treasury and Civil Service Committee on the future of the Civil Service Department (Cmnd 8170), the Government set out its decisions on the future role of the CSD as an essential instrument in achieving a smaller and more efficient Civil Service. But primary responsibility for improving efficiency and eliminating waste rests with each individual Minister and his Department.



6. The Government aims to take a fresh, critical look at productivity and value given for money in every large area of administration, and in most of the smaller ones as well. A programme of this kind cannot be implemented overnight. These are some of the areas looked at in the first two years. In 1981-82 the level of this review activity is being increased.

#### Simplification of Administrative Schemes

7. Crucial to the improvement of administrative productivity is the continuous search for simpler ways of doing things. Scrutinies have shown many possibilities for improvements here. Simplification of the system for capital grants to farmers and of regional development grants to industry will together save [ ] staff and [£ million] a year. An important feature in both is the elimination of inessential checking and vetting of applications and payments. Procedural simplifications have also played a large part in helping the Inland Revenue to make substantial savings of [ ] in the administration of PAYE. In the social security field, tauter, simpler procedures for handling benefit payments to the unemployed will save [ ] posts, and make the tasks of those who have to operate the system easier.

8. Bringing procedures up to date with technological and administrative developments outside government was also significant for the work on PAYE - for example, the greatly increased use of automated payroll by employers generally. And there is scope for the development of more advanced pay methods. For example, while the needs of pensioners who wish to continue to receive benefit weekly and the important network of sub-post offices are being safeguarded, it should still be possible to make substantial productivity gains by the wider use of more modern methods of payment of benefits such as automated credit.



## Unnecessary Intervention

9. Too much Government interference has been a basic cause of too much administration. There are many instances where on close inspection activities proved to contribute little that is effective. It may be that in the past they have met a perceived need but now no longer do so; or perhaps they have been designed to encourage desirable developments which now no longer need encouragement. Thus for example it is unnecessary to use resources approving compulsory purchase orders in draft, when local authorities now have their own qualified staffs for preparing such orders. Firms which have become well-established in a particular foreign country do not need financial assistance and encouragement which is designed to introduce exporters to new markets.

10. These issues have been explored on a wider basis in relation to two particular areas where the Government is determined to reduce intervention : the sponsorship and oversight of local authorities and of industry. Decisions have been taken which will have the effect of reducing the staffs employed across Government on local authority affairs by some thirty per cent, a saving of [1600 posts]. By the end of 1982 the Government will have reduced the numbers working on often ill-defined tasks of sponsoring or supervising industry by [ 00].

## Streamlining Local Offices

11. [ ] civil servants work outside Whitehall in networks of offices spread throughout the country. Here the tasks are to ensure that the number and location of these offices relate closely to the current needs of the service provided; that there is no overlap between different networks; that levels of management are kept to the minimum necessary and given the widest possible spans of authority; that supporting services are provided for the network in the most efficient and economical way and that there is a regular check to see that all the work being done is necessary.



12. [Reference to the proposals for "one office" to deal with the unemployed - Johnston scrutiny.] Following a comprehensive scrutiny, proposals for the large network of area and district offices of the Property Services Agency has been examined by the Secretary of State for the Environment. There will be [reference to reductions in number of offices, savings of 7-800 staff etc.]. The district and local office network of the Ministry of Agriculture, Fisheries and Food is being reorganised with savings of 400 staff. Reductions in Valuation Offices and Customs and Excise Collections will be made following from scrutinies undertaken in these areas; the Secretary of State for Transport has announced the merger of [ ] road construction unit offices into regional offices of the Departments of the Environment and Transport.

#### New Technology

13. [CCTA to write.]

#### Service-Wide Review

14. The examination of particular functions and operations in single Departments can be supplemented by carefully co-ordinated initiatives from the centre. Often these can most usefully take as their subject an activity which crosses the boundaries between Departments. The review of Government statistical services [the results of which have recently been published] is one such. An experiment in extending the scrutiny techniques to a topic common to many different areas of government, it has achieved savings of [ ] and shown the way to continuing improvements in management and control of general applicability in areas of government where quantitative and specialist services are important.

15. Further initiatives of this kind are being taken in the current year including reviews of supporting services in research and development and related establishments and also a general scrutiny of administrative forms.

16. One important lesson from the statistics review has been the need to work continuously at keeping down the costs of collecting,







are committed to this and, as part of this and of planning for the achievement of a smaller Civil Service, are pursuing a steady programme of efficiency work.

[Comment about the scrutiny programme to be drafted, when this is decided. Mention also CSD/LCD review of Courts and across-the-board reviews.]

21. No areas are exempt from the need to see how administration can be made more economical and efficient. Priority services as well as those which must be contracted are alike subject to the same need to achieve real increases in the value given for the taxpayer's money.



PRIME MINISTER

You postponed this meeting several weeks ago, and you glanced at the papers in preparation for it at the time. The issues are conveniently summarised in the note from Sir Derek Rayner's office at Flag A. Mr. Heseltine raises some wider PSA issues at Flag B. Sir Derek Rayner's Report, and the Inter-departmental Group's Report, are at Flag C. Flag D is the Chancellor's piece about the alarming experiences of the Royal Mint on PSA's services.

The PSA is unloved. The meeting could easily degenerate into a knocking session without producing a result on the main question. You will want to ensure that the meeting reaches a choice between the Rayner proposals for repayment or the Heseltine proposals for a more limited system, using attribution for accommodation. There is a subsidiary issue of how to take forward the conclusions. You originally agreed in principle that Sir Derek's proposals should be circulated to Cabinet for discussion. More recently, you have sought to limit Cabinet agendas, and you might now prefer to clear the conclusions of the meeting in correspondence with colleagues.

If time remains for wider PSA issues, you might wish to consider asking Mr. Heseltine's advisory group to look at the general complaints about efficiency, and the scope for further privatisation. Discussion might also revert to an earlier proposal for a common services agency, linking PSA with other common service units. The Lord President and Sir Derek Rayner might be invited to pursue these ideas, which were initially raised in Sir Derek's lasting reforms submission, and which were touched upon briefly during discussion of the Treasury/CSD merger option.

MD

16 March 1981



MFJ

*La Mack*

MR PRIESTLEY

Scrutiny Programme 1981

Thank you for your minute of 6 March, about the Department of Industry proposal for a scrutiny of the organisation and staffing for determining the allocation of financial support to research, development and technology sponsored by the Department.

The Prime Minister is content with this proposal, and would like Sir Derek Rayner to follow it up as you suggest.

MAP

*MAP*

10 March 1981





VLB

Sark Mad

10 DOWNING STREET

From the Principal Private Secretary

9 March 1981

Dear Brian,

Efficiency in Central Government: The Scrutiny Programme 1981

The Prime Minister has seen your letter of 19 February. She understands the reason why it was delayed and agrees with your Secretary of State's proposals for scrutinies of the Movement of Service Personnel, Defence Telecommunications and Dissemination of Information.

The Prime Minister has asked Sir Derek Rayner to take a particular interest on her behalf in the Movement scrutiny, in addition to those of Defence Sales and financial management.

The Prime Minister welcomes the possibility that further scrutinies will be proposed later in the year when your Secretary of State has been able to extend his knowledge of the department. She herself thinks that further scrutinies should be undertaken, some with a focus on manpower-intensive areas, and that these would be helpful to both the Secretary of State and wider policies on the size and cost of Government. They could, if appropriate, build on existing work within the Ministry.

The Prime Minister has asked Sir Derek Rayner to discuss these matters with your Secretary of State before Easter. She would also be grateful if the Lord President could be associated with Mr. Nott's thinking at some stage.

I am copying this to John Wiggins (HM Treasury), Edward Chaplin and Jeremy Colman (CSD), David Wright (Cabinet Office), Gerry Spence (CPRS) and Clive Priestley (Sir Derek Rayner's Office).

Yours sincerely,

Baroness Williams

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

ds





**10 DOWNING STREET**

MR. WHITMORE

The Prime Minister has seen and approved advice from Rayner and Soames about the Scrutiny Programme in MOD. Would you like to sign the necessary letter - the Prime Minister had this draft amongst her papers.

*M.P.*

*S.P.*

*One or two  
changes below, please.*

9 March 1981

*M.P.*



Mr PATTISON

*Prime Minister*

*This could be an important study.*

*Content?*

*MAP 2/3*

*Yes not*

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

*Flag A*

1. Sir Keith Joseph's Private Secretary wrote to Mr Whitmore on 10 February to propose a scrutiny of the organisation and staffing "for determining the allocation of financial support to research, development and technology sponsored by the Department".

2. Sir Derek Rayner recommends that this should be accepted. The Department spends £200 million a year in support of research, development and technology and employs 850 staff at headquarters for allocating this expenditure. The purpose of the scrutiny would be to determine whether the organisation and efficiency of the Department's arrangements for allocating financial support for research development and technology could be improved.

3. We shall suggest to DOI that the scrutiny should look at all this from the point of view of getting maximum value for money from the very large R&D effort in DOI and the examining officer should liaise with current CPRS work on techniques for monitoring departmental R&D budgets commissioned by a MISC 14.

*Sp*

C PRIESTLEY  
6 March 1981



CONFIDENTIAL

PRIME MINISTER

Prime Minister

Sir Bencher & Soames are disappointed with Mr Nott's scrutiny proposals. They accept that this is not the moment to press for something more significant, but would like to return to the point later in the year. May we write as in Flag A?

THE SCRUTINY PROGRAMME 1981: MINISTRY OF DEFENCE

1 Flag B-

1. The letter sent on behalf of Mr Nott to your private secretary on 19 February proposed that the Ministry of Defence should scrutinise the following this year:

- Movement of HM Forces Personnel in the UK  
(cost £33m +)
- Defence Telecommunications (cost £58.5m)
- Dissemination of Information (cost £0.5m)

2. Those three scrutinies would be additional to two already agreed with Mr Pym - of Defence Sales and the Control of Expenditure and Financial Accountability - and to the Service-wide scrutiny of supporting services for research and development.

3. Mr Nott has taken head on the reference in Mr Whitmore's letter of 1 December 1980 that it is particularly important that larger employer departments should focus on areas which are manpower-intensive. He has made no proposals for such scrutinies, arguing that:

a. there is a general problem in a department of the size of MOD "of identifying likely scrutiny subjects which are both of manageable size and organisationally discrete"; and

b. there is much already going on in the main manpower-intensive areas of MOD, eg on

- the future status of the Royal Ordnance Factories
- moving more post-design and R&D supporting services out of government
- reducing Civil Service manpower engaged on Quality Assurance





- the Royal Dockyards
- further contracting out of food procurement
- more freedom for Servicemen to furnish married quarters.

4. However, Mr Nott says that he "may wish to make further proposals for studies as the year goes on".

5. Although MOD thus envisages six scrutinies this year, and perhaps more, both Lord Soames and I find the response noted in paras. 1 and 3 above very disappointing - he, indeed, finds it extraordinary and worrying, given what was said in Mr Whitmore's letter (para. 3 above). (I should say also that Mr Nott's minute of 12 February on Defence Sales worried me and that I was glad to see the reply sent on your behalf.)

6. We both regard the difficulty of finding suitable subjects as over-stated; we have both made a number of suggestions to the MOD top brass informally, none of which has found its way into Mr Nott's list. Lord Soames believes that for the most part the exercises referred to at para. 3b above follow through work already done and are in any case concerned less with improving, simplifying and reducing the manpower content of tasks which have to be done by government than with possibilities for getting work done privately.

7. We have therefore considered whether we should advise you to seek more or different proposals from Mr Nott now.

8. However, we do not advise a formal démarche to try and extract more from Mr Nott immediately, because

- a. Mr Nott and the new Ministerial team at MOD have been in place less than two months; we do not think that he has yet taken the measure of the place; and





b. we believe that if we go carefully but firmly we shall get a better outcome than if we start off with a confrontation.

9. So we advise that:

✓ a. You should consent to these new scrutinies, but register a firm desire that more should indeed be undertaken later this year, focussing on manpower-intensive areas.

✓ b. You should say that you have asked me to discuss the possibilities with Mr Nott after a period of weeks. (He has in any case asked me to see him for an informal talk in April and I am to see Lord Trenchard similarly this month.)

✓ c. Lord Soames and I should take an opportunity to have a personal talk with Mr Nott about these matters away from the office.

10. In case you agree, I attach a draft letter to Mr Nott's private secretary, which might go from Mr Whitmore.

11. I am copying this to the Lord President.

Derek Rayner  
4 March 1981

Enc: Draft letter to MOD





CABINET OFFICE

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

20 February 1981

Sir Ian Bancroft GCB  
Civil Service Department

THE SCRUTINY PROGRAMME: NOTES OF GUIDANCE

I enclose revised Notes of Guidance for the scrutiny programme which I am copying to all Permanent Secretaries. I shall be letting Examining Officers have them separately as their names become known.

The Notes have been written to cover the complete cycle of the scrutiny from the selection of subjects to the preparation of an Action Document and the publication of results. I would hope therefore that they could be brought to the attention of all officials associated with the scrutiny programme. I would also have no objection to them being shown to departmental Staff Sides.

  
Derek Rayner

Enc:



THE SCRUTINY PROGRAMME  
A NOTE OF GUIDANCE BY SIR DEREK RAYNER

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I. INTRODUCTION

1.1 I attach an up-dated version of the Notes of Guidance which I issued on 2 November 1979. It incorporates guidance issued later, eg on consultation with Staff Side. It also builds on the experience in the scrutiny programme last year.

1.2 The new Notes are intended to help not only Examining Officers (to whom Sections 4 and 5 are specifically addressed), but also Ministers and senior officials. They trace the complete process through from the selection of subjects for scrutiny to the drawing-up of an Action Document and the publication of results.

1.3 I hope that all concerned find it helpful. My office\* will be glad to deal with any queries which may arise.

Derek Rayner

Cabinet Office  
70 Whitehall, SW1

20 February 1981

\* This consists of Mr C Priestley (US, personal secretary Miss J W Sullivan, 233 8224); Mr I B Beesley (AS, personal secretary Mrs J Craig, 233 5029); Mr D R Allen (Economic Adviser, 233 8550); and Mrs E Thoms (HEO(A), 233 8550).



## 2. THE SCRUTINY OF POLICIES, FUNCTIONS AND ACTIVITIES

### The broad philosophy

2.1 The reasoning behind the scrutiny programme is that Ministers and their officials are better equipped than anyone else to examine the use of the resources for which they are responsible. The scrutinies therefore rely heavily on self-examination. The main elements are the application of a fresh mind to the policy, function or activity studied, unfettered by Committees or hierarchy; the inter-action of that mind with the minds of those who are expert in the function or activity; the supervision of the Minister accountable to Parliament for its management and for the resources it consumes; and the contribution of an outside agency in the shape of my office and me.

2.2 The purpose of each scrutiny is action, not study. It is therefore:

- a. to examine a specific policy,\*activity or function, questioning all aspects of the work normally taken for granted, with a view to recommendations to achieve savings and increased efficiency and effectiveness;
- b. to propose solutions to any problems identified; and
- c. to implement agreed solutions, or to begin their implementation, within 12 months of the start of the scrutiny.

### The selection of topics

2.3 The scrutiny approach is used most easily in respect of a particular policy, function or activity lying wholly within the Government's control.

2.4 It is also well adapted to matters crossing the border between Government and other agencies or such outside interests as those of client groups (eg social security beneficiaries), provided the point of departure is clear and well defined.

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\* The Cabinet agreed in October 1979 that the scrutiny programme should supercede Programme Analysis and Review (PAR), which was then set aside.



2.5 It can also be used to investigate systems (eg financial control) and illuminate matters common to the Civil Service as a whole (eg use of common services).

2.6 In terms of savings, the biggest returns will obviously come from the selection of large and expensive activities of government. An excellent example of such a scrutiny was the joint DE/DHSS scrutiny of the payment of benefits to unemployed people in 1980. This spanned Unemployment Benefit Offices, Social Security Offices and Job Centres and covered an activity employing 40,000 staff. It was carried out by a team of 4, working full-time for around 6 months. It covered policy as well as systems and procedures.

2.7 This is not to rule out small pockets of activity - their smallness can sometimes cause them to be overlooked - though it is important to avoid the trivial. Small topics can provide important lessons for "read across" to other activities both within and between Departments.

2.8 The scrutiny approach is wasted if used to supplement or substitute for what can reasonably be regarded as part of the day-to-day management of a particular function or activity or the normal processes of management audit, or to examine areas known to be subject to imminent policy changes.

2.9 The size and complexity of the activity under scrutiny will have a bearing on the time allowed for the completion of the study. As a general rule scrutinies should be completed in 90 working days. The smaller ones will take less time (say 60 working days), whilst the really big ones might extend to 6 months. Either extensions or reductions in time should be negotiated with my office.

#### The selection of Examining Officers

2.10 The Examining Officer should normally be a serving official, chosen from within the Department, or, exceptionally, a recently retired officer.

2.11 This is not to exclude the use of outside experts, but their role should be a supporting one and their function clearly defined.



2.12 The Examining Officer will normally be at Principal or, in the bigger scrutinies, Assistant Secretary level. But there is no hard and fast rule about this. The quality of the official selected is more important than age, grade or present occupation. An experienced and hard-headed 50-year old is as acceptable as a "flyer" and a good professional as a good administrator. Intellectual capacity and personality should be the guiding lights.

2.13 Moreover, whenever I have visited a local office there has been at least one officer, junior in terms of the Departmental hierarchy as a whole but carrying an important management responsibility at the office itself, who was very knowledgeable about the work in hand, had thought about it deeply and had good ideas on how it could be improved. I find this combination of experience and thoughtfulness impressive. I should like to encourage the use of such above-average capacity wherever possible.

2.14 The Examining Officer should be provided with the necessary staff support. Some scrutinies will be of such a size as to require a full-time team of 2 or 3 officials. Others will be of such a technical nature that the effectiveness of the Examining Officer would be reduced without the support of a full- or part-time expert, including possibly a consultant from outside. Or one-off support might be required to carry out a special exercise (eg an attitudinal survey).

2.15 Ready access to secretarial services is also important, specially at the report stage of the scrutiny.



### 3. ARRANGEMENTS FOR REPORTING AND CONSULTATIONS

3.1 Examining Officers should be free to examine the specified part of their Department's functions in detail, seeing such colleagues and making such visits as are necessary within their own Department; consulting other Departments, including the relevant desk officers in HM Treasury and the Civil Service Department\*; and going right outside Government where appropriate.

3.2 The involvement of Ministers and senior officials in the course of and in follow-up to the scrutiny is indispensable. From the outset Examining Officers should agree with their Minister and Permanent Secretary the arrangements for the direction of the exercise by the former and for consultation with and contributions by the latter. It should be understood that officials are expected, while being free to ask radical questions about the work under review, to consult their Permanent Secretary fully in designing, launching, conducting and reporting the study. Examining Officers will be particularly helped if they are able to consult the Supervising Minister and the Permanent Secretary at the stages of study plan, synopsis of findings and recommendations and first draft of report.

3.3 Each Examining Officer is directly responsible and will make his/her report to the Minister. Decisions on implementation rest with the Minister. But I have been asked by the Prime Minister to associate myself with the scrutiny programme. Thus each scrutiny needs to be undertaken in consultation with me.<sup>+</sup>

3.4 In all cases I shall want

- to agree with the Minister the terms of reference for, method, and coverage of the scrutiny;
- to agree with the Examining Officer the study plan for each scrutiny;
- to brief Examining Officers collectively;

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\* In the Civil Service Department, FP1 take a close interest in all scrutinies (contact R H Wilson - 273 4249)

+ See Mr Whitmore's letter of 17 October 1979 to Private Secretaries



- to make my office available to Examining Officers throughout - my policy is that of free access at any time;
- to receive copies of the reports and subsequent Action Documents;
- and to have the opportunity for discussion with the Minister and the Permanent Secretary throughout the exercise, when necessary.

3.5 In certain studies, where the Prime Minister has asked me to take a particular interest on her behalf, I and my office shall in addition want

- to brief Examining Officers individually;
- to have the opportunity to go with Examining Officers on visits;
- to be consulted on a synopsis of findings and recommendations (which should be done as early as possible as I might be able to help in its development);
- to receive a copy of the draft report at the same time as it goes to the Minister and to have the opportunity to comment before decisions are taken;
- and to be consulted on the Action Document.

In addition I shall inform the Prime Minister of, and consult her on the findings of the scrutiny at the report stage, so that there is an opportunity for her to influence the outcome if she wishes.

3.6 My staff, who are listed in the footnote to the Introduction, are available to advise on any of the above. Mr Beesley has responsibility for general oversight of the 1981 scrutiny programme. Each member of my office will have a responsibility for specific scrutinies (to be notified). Examining Officers should inform Mrs Thoms of their address and telephone number as soon as possible.

3.7 The Departmental Staff Side (DSS) should be fully informed about the scrutiny, including its terms of reference, study plan and work programme, notably, in broad terms, those to be interviewed or consulted. It will normally be appropriate for there to be a Departmental notice to staff, announcing the scrutiny, which should also be as informative as possible.



3.8 The DSS should be invited to make a contribution to the examination. This may take the form of a written paper or a meeting between the Examining Officer and the DSS if that is more convenient for both sides. The Examining Officer's report should record the views expressed to him by the Staff Side during his work on the scrutiny and include as an appendix any written statements made to him.

3.9 The Examining Officer should make himself available to any local staff side which wishes to see him.

3.10 Arrangements for consulting the Staff Side after the scrutiny report has gone to Ministers are described in Sir Ian Bancroft's letter to Sir Robert Armstrong, copied to Permanent Secretaries, of 28 April 1980, from which the following is an extract -

"It is accepted as a general principle that Ministers need to decide the matters put before them in a draft scrutiny report in the light of all the factors and considerations which bear on those matters, including the views of staff on matters which affect them; and that Departmental Staff Sides should have an opportunity to make these known before decisions are taken.

"How this principle is given effect will vary according to the particular circumstances and nature of each scrutiny.

"Some scrutinies are concerned primarily with matters relating to the internal organisation, procedures and administration of Departments and do not raise wider issues of policy. In these cases, it will be appropriate to provide an early opportunity to the Departmental Staff Side to express views on the proposals under consideration by the Minister and his Department before an action document has been prepared - precisely how this is arranged will be for each Department to determine in the light of the particular nature of the scrutiny and of the usual practices in the Department for the conduct of management/Staff Side discussion.

"Other scrutinies, however, will raise wider policy issues where the interests of others outside Government will be as directly, if not even more directly, affected by the proposals than those of the staff. In these cases, Ministers will wish to consider how best to invite



the interested parties outside Government to comment on the policy issues raised by the scrutiny. In some instances, they will want to open these wider discussions before they have prepared an action document: in others they will judge it more appropriate to do so on the basis of a statement of their initial preferences. In either of these situations where the interests of staff are affected, the Departmental Staff Side will be afforded the opportunity to comment on proposals no later than the other interests involved."



#### 4. CONDUCT OF THE SCRUTINIES: GUIDANCE FOR EXAMINING OFFICERS

##### General

4.1 Although the functions and activities under study are different, I would like Examining Officers to see themselves as forming a group doing similar work, even if in contrasting areas, and to consult each other. To help with this I shall circulate a list of names, addresses, telephone numbers and subjects of scrutiny and call officials together for an early exchange of ideas and information.

##### Method of working

4.2 The following comments may help to define the spirit in which you should approach your task -

a. All aspects of the work under review should be questioned radically to the point of challenging the activity's very existence eg "Why is this work done at all? Why is it done as it is? How could it be done more efficiently and effectively at less cost?" The value of the questions "Why?" and "How?" cannot be emphasised enough.

b. The question, "What value is added by this function/activity/procedure/practice/convention?" is also a useful trigger. Examining Officers should persist in asking what value is added - whether to the processing of the work or to the common good - as a result of the activity observed.

c. Scrutinies should not be conducted as desk studies. Nor should interviewing be confined to top people and Headquarters. There is no substitute, whatever the nature of the function or activity under study, for going and seeing it. You should not rely on paper to get the study going and going effectively, so -

- i. Don't write around, talk around.
- ii. Don't assume that you know anything until you've been to see it - start where the work takes place.
- iii. Regard paper which you write as the product rather than the medium of the study.



d. Given the right approach, staff will go out of their way to be helpful. Your role is not accusatory or inquisitorial. The message is that you are neither Smart Alocs nor "Assistant Waste-Finders General", but that your Department and others have an opportunity to look at a piece of administration with the enthusiastic backing of Ministers, from the Prime Minister down.

e. You should seek solutions to problems. Your report should offer at the very least the outline of the practical changes necessary; it should not dump the problem, without solution, on the Minister's doorstep. The purpose is not simply good analysis of what is, but preparation for action.

#### Planning your work

4.3 You are working to a tight timetable with a lot of ground to cover. I would offer the following advice -

a. Planning. Allow time for preparation and reconnaissance, including consultation with the Minister, Permanent Secretary and Departmental Staff Side; field work, what and who should be seen (eg number of interviews or group meetings - I suggest no more than 2 a day); further consultation with Minister, Permanent Secretary and me; drafting report.

b. Manageability. Keep the study within the bounds of what you can manage. Take thought in planning about how much you can bite off and chew yourself and what you may need help on. Are you likely to need help? If so, of what kind - professional? clerical? Management Services? Staff Inspection? Internal Audit? Make allowance for this in planning. If you are going to need technical help in understanding and interpreting what you see and hear, consult your Minister and Permanent Secretary about it as early as possible and include in your plan its provision and timing. I regard it as vitally important that a scrutiny should not be spoilt for want of help of the right kind.



c. Relationship with other exercises. Check with your Principal Establishment and Finance Officers about the relevance to your area of study of i. current exercises to retrench public expenditure and manpower; ii. current or recent exercises, eg staff inspection and O and M studies; and iii. the annual scrutiny of Departmental running costs. You should also have regard to scrutinies undertaken in previous rounds in your own and other Departments. I attach at Appendix A a list of 1979 "Rayner projects" and 1980 scrutinies and the former Examining Officers, whom you might wish to get in touch with where their study looks relevant to your own.

d. Objectivity and fairness. You have a very full schedule. Consider at the outset how to check that you have taken points made to you correctly and how later to check the validity of your analysis and proposals. You will not have time to make full notes of your interviews and observations and to clear them with those you see, but consider and agree with your Minister on i. the records you keep, ii. how you feed these back to your interviewees and iii. how you touch base with the main contributors in drafting your report. Do not lay yourself open to a justifiable accusation of bias or error.

#### The Study Plan

4.4 You should draw up a Study Plan within 3 weeks of starting the scrutiny. This should be submitted to your supervising Minister, Permanent Secretary and me, for agreement. I will aim to respond in 10 days but this should not hold up your work programme. I attach at Appendix B a good example from last year's scrutiny programme (Department of Industry: Regional Development Grants). The main points to record in the study plan are

- brief description of the subject to be examined;
- terms of reference;
- interpretation of the terms of reference, defining the scope of the scrutiny, avenues to be explored, line of questioning etc;
- method of working, those to be consulted etc;
- shape of the report;
- study team and reporting arrangements;
- work programme.



4.5 You need not regard the Study Plan as a tablet of stone once it is agreed, as your examination may point you in different directions or towards changes of emphasis, but your Department and I should be consulted about any intention to make a radical alteration in the plan.

#### Treatment of Costs and Savings

- 4.6 Reports must include estimates of
- a. the present cost of each function/activity being studied, broken down into its main components;
  - b. the cost savings (annual and once-for-all) which the implementation of each recommendation would be expected to achieve;
  - c. the percentage of present cost which these represent;
  - d. the costs of implementation (annual and once-for-all); and
  - e. the cost of carrying out the scrutiny.

In a. - c. staff costs and savings should be distinguished from others (eg agency charges, asset disposals, increased revenue from fees) and staff numbers shown. It is also important that the effects of the recommendations on other Government Departments and on public bodies outside Central Government should be costed. If significant compliance costs are involved, eg form-filling by the public, the scale of these should be indicated as far as possible. I now offer brief notes on the computation of the Civil Service staff cost element of these costings.

4.7 You should ask your Accounts or Establishments Division if they hold information on the "actual" costs of the activity under scrutiny (wages and salaries, personnel overheads, office services, accommodation costs etc.)

4.8 Otherwise you should use the Civil Service Department Management Services Handbook Ready Reckoner for Staff Costs, copies of which can be got from one of the contact points listed in Appendix C. The latest edition is for 1980; advice on its use may be had from Mr David Swift at the Civil Service Department (273 5554).



4.9 The introduction to the Ready Reckoner shows what is included in the various cost savings estimates suggested below and how to avoid double counting.

4.10 Your estimates should show the following two sets of costs, the definitions of which are to be found in the Ready Reckoner (pages 8 and 9) -

- "basic staff costs" (which is, in effect, a measure of savings likely to be achieved in the short term)
- "basic staff costs plus accommodation plus common services" (which is, in effect, a measure of the savings that might be achieved in the longer term).

4.11 These costs apply to staff employed during normal hours. Where overtime is involved (either partially or wholly), then salary costs only should be computed since the figures for overheads which are included in the Ready Reckoner are averages unlikely to apply in the overtime case. Advice on the relevant salary cost for overtime can be obtained from Mr Swift.

4.12 The two sets of costs should be computed even in those cases where the recommendation is that the staff should be re-deployed elsewhere in the Department or that the time saved could be fruitfully employed on other work. On the assumption that re-deployment is recommended on the grounds that this would be a more efficient use of staff the costings will provide your Minister with a measure of guidance on the extent to which, in gross terms, staff are currently inefficiently employed. Your table of costings should however indicate clearly those elements of the savings which are to be re-deployed in order to avoid including them in the estimate of the savings that the Exchequer would achieve as a result of the implementation of your recommendation.

4.13 Where your recommendations are likely to affect accommodation the Property Services Agency should be consulted early.

4.14 In costing your own time spent on the scrutiny the appropriate Ready Reckoner figure is "basic staff costs plus accommodation plus common services", since this indicates the resources that have been directed to this exercise. You should also add in but separately identify the travelling and subsistence costs incurred on the project.



Synopsis of findings and recommendations

4.15 When you have completed your first detailed look at the subject (say after the initial round of visits) you should take an opportunity to collect your thoughts and draw up a synopsis of findings and likely recommendations, which should be no more than a couple of pages long. This should be done between a third and half way through the study. It should be submitted to your supervising Minister and Permanent Secretary and to me in those scrutinies in which I have been asked to take a particular interest. It could usefully form the basis of a meeting with your Minister and, in relevant cases, with me or my office.



## 5. SCRUTINY REPORTS: GUIDANCE FOR EXAMINING OFFICERS

### Length and style

5.1 The main text should be capable of being read easily by busy Ministers and senior officials. This suggests a length of up to about 7,500 words, but the shorter the better, always provided that you are satisfied that the analysis, while succinct, has so identified and addressed the issues as to demonstrate that your findings and recommendations are sound.

5.2 The style should be concise, with a preference for short paragraphs, sub-headings, clearly identified conclusions and clearly specified recommendations.

5.3 Material which is germane to the analysis and recommendations may be annexed, but the main text should contain at least a summary of those facts and arguments which it is necessary for the reader to absorb as he goes along. In general, the reader should not be invited to refer to annexes in order to take steps in either the analysis or recommendations.

5.4 The use of annexes should be sparing.

5.5 The recommendations should not only be clearly identified in the main body of the text but also separately listed at the beginning of the report in the précis (see below).

5.6 With a view to getting action on the main issues as you see them, it is open to you to use your judgment in placing your conclusions and recommendations in order of priority. Indeed, it is open to you to leave out of your formal submission such second or lower order conclusions and recommendations whose inclusion you thought might impede action.

### Format

5.7 Reports should always begin with a précis. This should briefly describe the activity under scrutiny (and its cost), the problems/findings, the main recommendations, the savings (absolute and proportionate) and the



cost of the scrutiny. I attach at Appendix D an example (Forestry Commission: Administration of Private Woodlands Grants and the Control of Tree Felling).

5.8 The report should then go on to -

a. briefly describe the scrutiny: terms of reference; method of examination (eg people seen, locations visited); coverage; involvement of Supervising Minister; consultations with Departmental Staff Side and outside organisations; cost of study;

b. describe and analyse in detail the policy/activity/function (including cost) and comment on the efficiency and effectiveness with which it is discharged. The analysis and commentary should draw attention to good practice as well as bad. It should cover the questions: "Is the function or activity essential or dispensable?"; "If it is essential, can it be done more efficiently and at less cost?"; and, "What would be the cost and other effects if the level of service provided by the function were to be reduced?" It should question the policy, the organisation, systems, procedures and methods of working;

c. offer argued and costed recommendations for change

d. provide an estimate of the time required for implementation. This should assume that consultations, decisions and action on decisions are carried out with reasonable urgency and dispatch. In particular, reports should draw attention to the timing of any costs of implementation, eg on accommodation or equipment. If costs must be incurred before savings can be made, the case for such investment should be made in full. In estimating the costs and benefits the effect of timing should be taken into account.

5.9 I attach at Appendix E some notes on the structure of reports. I offer them not for you to follow slavishly but as guidance on the sorts of questions which you should be seeking answers to in the conduct of the scrutiny.



#### Consultation during the drafting of reports

5.10 You should use your judgment in deciding on the extent to which your early drafts are circulated for verification of facts before the point at which you make your submission to your Minister and, in the relevant cases, to me. It would be as well to be discriminating about circulation, both as to the length of the circulation list and as to the amount of your text sent to each person on it. This is to reduce the risk of leakage and thus of having to explain or defend what may not prove to be accepted for implementation.

5.11 In the case of those scrutinies in which I am taking a particular interest I should like to have sight of an early draft.

#### Status of reports

5.12 The report should represent your own analysis and your own considered conclusions and recommendations. Although you will wish to verify matters of fact with others in your Department, your drafts should not be submitted to a preliminary examination within the Department which had the effect of diminishing or substantially altering such conclusions and recommendations as you firmly believed that you should put forward on the basis of the evidence.

5.13 Your report should be submitted direct to your Supervising Minister copied to your Permanent Secretary. It should also be sent simultaneously to me. Where I have been asked to take a particular interest in the scrutiny on the Prime Minister's behalf, I shall provide your Minister with my comments on the report and will aim to do so within 3 weeks of receipt; they will be copied to your Permanent Secretary and you. I reserve the right to consult HM Treasury, the Civil Service Department and the Central Policy Review Staff on reports and I exercise it in most cases.

5.14 In the case of "general interest" scrutinies, the report will come to me for information only (unless you or your Minister request otherwise) to enable me to report the findings to the Prime Minister.



5.15 The document which you submit to your Minister and in the relevant cases to me, while embodying your final thoughts on the functions/activities studied, will have the status of a "draft". The scrutiny can be regarded as complete when Ministers have decided in principle on which recommendations to accept and have converted the report into an Action Document. Your task is not, therefore, one of producing a completed report for Ministers with the prior agreement of those concerned, including the Staff Side. It is, instead, one of producing the main contribution towards the completed report in consultation with those concerned.



6. The Action Document

6.1 Once a decision in principle has been taken on the report's recommendations (without prejudice to the outcome of the necessary consultations) the next step is the Action Document.

6.2 This should be drawn up within 3 months of completion of the scrutiny report, possibly by the Examining Officer who may be retained for this purpose.

6.3 The document should identify for each recommendation:

- the Minister's response;
- suggested modifications (where applicable);
- consultations required;
- legislative action required;
- administrative action required;
- target date for implementation;
- expected savings (in money and in manpower) and by when.

I attach as an example, at Appendix E, an extract from the Action Document for the Forestry Commission scrutiny (Administration of Woodland Grants and the Control of Felling). The only amendment I would make to that is to ask that staff savings be expressed in terms of numbers of posts, not man years.

6.4 In those cases where the Prime Minister has asked me to take a particular interest, the Action Document should be agreed by the Minister in consultation with me (and I shall aim to comment within 10 days). Otherwise I should receive a copy for information only to enable me to report to the Prime Minister on implementation.



7. Publication of reports

7.1 It is for individual Ministers to decide whether and how to make the findings public. I myself believe that not enough good work of this kind is published and would encourage Ministers in this direction.

7.2 Publication might take the form of a Parliamentary Question and placing a copy of the report in the House of Commons Library or making the report available to the relevant Select Committee or publishing a consultation document or publishing the report in total via a press release.

7.3 To avoid the possibility of a leak, publication is best done sooner rather than later. It is probably also best to combine this with an announcement of the Minister's decision in principle.

7.4 The Prime Minister's views on publication are contained in Mr Whitmore's letter to Private Secretaries of 14 January 1980 (Efficiency and Waste in Central Government). That letter says -

"The Prime Minister thinks it desirable for Ministers to let it be known.....what they are proposing to do in the scrutiny programme."

"The Prime Minister would like Ministers to make as much of their 'Rayner report' available to their staff and the outside world as possible and would be glad to see some project reports published as exemplifying the approach they have adopted... ..There may in some cases be reasonable objections to publication, but the Prime Minister's view is that in general the Government should give people the sort of detail which is interesting and intelligible and shows that it is getting on with the job it promised to do."



LIST OF 1979 PROJECTS AND 1980 SCRUTINIESAPPENDIX A

<u>Department</u>	<u>Project/Scrutiny</u>	<u>Examining Officer</u>
Home Office	1979 : The Radio Regulatory Department	Mr D Janes (retired)
	1980 : Method of dealing with applications for naturalisation and registration	Mr T Weiler (retired)
Lord Chancellor's Department	1979 : Attachment of Earnings Procedure	Mr C F Tye
	1980 : Administration of the Jury System	Mr F Yeomans
Foreign and Commonwealth Office	1979 : Merger of FCO and ODA	Mr C C W Adams
	1980 : Arrangements for providing and maintaining transport for Diplomatic Service posts overseas.	Mr C Imray
	The Services of the Directorate of Overseas Surveys.	Mr G A Armstrong
HM Treasury	1979 : Paper Handling and the Registry System	Mr F K Jones
	1980 : The monitoring of central Government expenditure.	Dr R K Hinkley
	Review of Procurement and Movement Functions of UKTSD.	Mr M A Waller
	Review of the Rating of Government Property Department	Mr D Thompson
Inland Revenue	1979 : PAYE Movements Procedure	Mr A Pinder
	1980 : Annual issue of PAYE deduction cards.	Mr M Hodgson
	Procedures for rating proposals and appeals.	Mr D Huckle
	The use of Accounts Registers in tax districts.	Mr J E Yard
HM Customs and Excise	1979 : Review of London and South East Collections	Mr M F Welling
	1980 : Distillery and Warehouse Controls	Mr R Tilley
	Co-operation between Inland Revenue and Customs and Excise in dealings with insolvent traders. (Joint scrutiny with Inland Revenue)	Mr R Townend
Department for National Savings	1979 : Handling of correspondence with members of the public.	Mr R H Lee
	1980 : Rate of conversion of computerising Premium Bond Records.	Mr C Dann
Department of Industry	1979 : Review of Statistical Services	Mr R de L Holmes
	1980 : The administration of the Regional Development Grant Scheme.	Mr R A C Hewes
Ministry of Defence	1979 : Review of arrangements for supply of food to the armed forces.	Mr C S Ponting
	1980 : Arrangements for provision of secondary education for children of Service and Ministry of Defence personnel overseas.	Mrs M Williams



<u>Department</u>	<u>Project/Scrutiny</u>	<u>Examining Officer</u>
Ministry of Defence (contd)	1980 : Provision of assisted travel schemes and Ministry of Defence establishment bus fleets.	Mr I G McEwen
	The requirement for, the role and organisation of the Claims Commission.	Mr J M Stuart
	Management of internal efficiency and organisation.	Mr D Fisher
	Review of Ministry of Defence building projects	Mr D Jones
Civil Service Department	1979 : Charging for courses at the Civil Service College	Mr R Saunders
	1980 : The effectiveness of technical services of Central Computer and Telecommunications Agency.	Mrs C Miller
Department of Employment	1979 : Peaking of work in unemployment benefit offices.	Mr L Lewis
	Part-time and small full-time benefit offices.	Mr L Lewis
	1980 : The delivery of unemployment and supplementary benefit to unemployed people (Joint scrutiny with DESS)	Mr I Johnston (now with ACAS)
Manpower Services Commission	1979 : Review of Skillcentre network	Mr R Phillips
	Review of TOPS Allowances	Mr R Phillips
	1980 : Organisation of Training Services Division.	Mr G Roberts (retired)
Health and Safety Executive	1980 : The problems of assessing costs and benefits of health and safety requirements and the techniques available.	Mr P Morgan
Ministry of Agriculture	1979 : Administration of capital grants to farmers	Miss K Timms
	1980 : Enforcement of grading regulations for eggs and fresh horticultural produce.	Mr J Reed
Department of the Environment	1979 : Provision of Management information for Ministers	Mr D R Bradley
	1980 : Arrangements for the financial control of the water industry.	Mr R Braybrooks
	Regional Organisation serving the Departments of the Environment and Transport (Joint scrutiny with Department of Transport).	Mr A Whybrow
Property Services Agency	1979 : Management of the Kingston Estate	Mr G J B Donaldson
	Energy Conservation on the Government Estate	Mr M Fuhr
	Maintenance Economy Review (Bath)	Mr E Turtle
	1980 : The requirement for a works transport fleet.	Mr R Verge



<u>Department</u>	<u>Project/Scrutiny</u>	<u>Examining Officer</u>
Scottish Office	1979 : Review of Consultative Committee on the Curriculum	Mr J Martin
	1980 : The advisory and monitoring activities of the Scottish Development Department with respect to local planning authorities.	Mr J Martin
Forestry Commission	1980 : The administration of	
	i. the private woodlands grant scheme; and ii. the licensing of felling.	Mr J Gwynn.
Welsh Office	1979 : Controls over local authorities in respect of highways	Mr P E Loveluck
	Controls over LEA building	Mr P E Loveluck
	1980 : The procedures for processing of major National Health Service building projects.	Mrs M Evans
Northern Ireland Office	1979 : Rate collection system in Northern Ireland	Mr W G McKeown
	Methods of recovering public debt	Mr W G McKeown
	1980 : The operation of financial control within the Northern Ireland Departments and the Northern Ireland Office.	Mr W G McKeown
Department of Health and Social Security	1979 : Frequency and method of benefit payments.	Mr N Warner
	1980 : The Department's activities in support of health care exports.	Mr C Graham
	Validation of National Insurance contribution records.	Mr N L J Montagu
Department of Trade	1979 : Services to Exporters	Dr J Spencer
	1980 : Administration of the Patent Office and Industrial Property and Copyright Department.	Mr A Hutton
Department of Energy	1979 : Organisation of non-nuclear research and development on new energy technologies.	Mr J West
	1980 : Demand for, and resources devoted to, economic and statistical advice and services.	Mr C Williams (now with HM Treasury)
Department of Education and Science	1979 : Administration of the teachers' pension scheme	Mr R Chattaway
	1980 : Administration of student awards	Mrs H Douglas
Paymaster General's Office	1980 : Working relationship between the Paymaster General's Office and the banks.	Mr D Breed



Department

Project/Scrutiny

Examining Officer

Department of  
Transport

1979 : Review of Road Construction Units  
1980 : Ways of improving the enforcement  
of vehicle excise duty  
Procedures for setting and  
certifying standards for building  
roads and bridges

Miss R Crafts

Mr M Williams

Dr F Walley (retired)





THE RAYNER SCRUTINY PROGRAMME 1980: DEPARTMENT OF INDUSTRY PROJECT  
REGIONAL DEVELOPMENT GRANT ADMINISTRATION  
STUDY PLAN AND WORK PROGRAMME

Introduction and Subject Matter

1. The Department of Industry (DOI) has primary responsibility for the Government's regional industrial policy. The main objective of that policy is to encourage investment in the Assisted Areas with the long-term aim of reducing the regional imbalance in the supply and demand for labour. As part of this policy the principal instrument for stimulating industrial regeneration and modernisation is the scheme for payment of Regional Development Grant (RDG) under Section 1 of the Industry Act 1972.
2. Section 1 of the Act enables the Secretary of State to pay RDG towards expenditure on the provision of new capital assets for use on qualifying premises within the Assisted Areas. Qualifying premises are those used wholly or mainly for certain qualifying activities, mainly manufacturing as described in Orders III to XIX of the Standard Industrial Classification (SIC 1968). Eligible capital expenditure consists of the provision of buildings and works (excluding, from April 1977, mining works) and plant and machinery. RDG's are not subject to UK Corporation Tax or Income Tax.
3. Initially grant was available on all eligible expenditure in Special Development Areas (SDA's) and Development Areas (DA's) at the rate of 22% and 20% respectively and Intermediate Areas (IA's) at 20% on buildings and works only. In July 1979 the Secretary of State announced that with effect from 1 August 1980 (with certain transitional provisions) RDG would be reduced to 15% in DA's and abolished entirely in IA's. At the same time he announced a substantial reduction in the extent of the Assisted Areas and downgradings in the remaining Assisted Areas. These changes take effect partly in August 1980 and partly in August 1982, reducing the area in which RDG is available from more than 40% of Great Britain at present to less than half that in future.





4. In 1978/9 grant payments totalled £416.9 million (on roughly 40,000 applications), with recoveries of £10.5 million where conditions attached to grant payments were not fulfilled. The cost of administration of the scheme in 1978/9 is estimated at £4.9 million (1.2% of grant paid) covering the cost of 530 staff in four Regional Development Grants Offices (RDGO's) which deal with grant applications and 24 staff in a Headquarters Division, dealing mainly with policy matters. As a result of the policy changes announced in July 1979 staff savings of 100 are forecast by 1983.

#### Terms of Reference

5. The Secretary of State's office has notified the Prime Minister's office of the following terms of reference for the scrutiny:

"To examine the administration of Regional Development Grant work at the Department's four Regional Development Grants Offices and at Headquarters; to consider how far changes in or greater standardisation of procedures in Regional Development Grant Offices could lead to greater efficiency; to have full regard to the outcome of recent reviews of this area of work by O & M, Staff Inspection and Internal Audit teams; and to make recommendations".

#### Scope of Scrutiny

6. The Secretary of State for Industry announced last July the conclusions of a review of regional industrial policy which was carried out in consultation with other Ministers with regional responsibilities. In recent evidence to the Select Committee on Trade and Industry the Secretary of State also confirmed that the Government has no intention of altering the main lines of regional policy as announced [in July 1979], recognising the importance to industry of stable expectations.

7. It is not therefore regarded as properly within the terms of reference of this study (nor would it be feasible within the timescale proposed) to consider the policy of providing regional assistance to industry nor the effectiveness of providing such assistance, as the RDG scheme does, on a largely automatic basis. Thus the study will concentrate on the way in which the administration of the scheme is organised, the procedures and arrangements which have been adopted and the scope for improving the





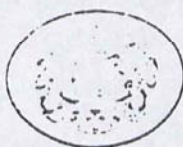
organisation or procedures or for standardising procedures across the four RDGO's. This may involve consideration of some subordinate policy issues, where these appear to constrain the scope for improvements in administration. In considering the scope for improved efficiency in administration the study will have regard to the burden on the applicant, including small companies, as well as on the Department.

8. In carrying out the terms of reference the study will address inter alia the following questions:

- What is the purpose of a particular procedure/method of organisation?
- To what extent is the purpose achieved?
- What effect does it have on the amount of RDG paid/recovered?
- Is the purpose necessary (eg in terms of public accountability) to the administration of the RDG scheme?
- Could the purpose be achieved more cost effectively in other ways?
- Would a standard organisation/procedure be equally cost effective in each of the four offices?

9. Identification of particular facets of the scheme's organisation or procedures on which the review might concentrate must at this stage be very tentative. Possible areas may, however, include the scope for greater specialisation within the regional offices on work currently spread between a large number of people; the potential for (increased) use of mechanical aids (eg word processors); the simplification of administrative rules governing qualifying expenditure; ways of speeding up claims' examination by reducing errors in completion of application forms or by greater reliance on the involvement of independent accountants; the possible co-ordination of tasks not currently co-ordinated and the elimination of certain checks in cases where the benefits do not appear to justify the costs involved.





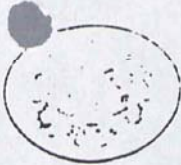
## Method and Approach

10. The approach of the study will be to seek out areas in which procedures are unnecessary or where the purpose could be achieved more cost effectively by some other procedure or by organising the work in a different way. But care will be taken to avoid changes which would detract from the scheme's essential qualities of consistency, automaticity and predictability and to have due regard to the requirements of public accountability for expenditure.
11. The study will therefore take the form primarily of interviews with those involved in the day-to-day operation of the scheme in the four regional offices and in the Headquarters Regional Policy and Development Grants Division (RPDG). It will also involve discussions with staff in the Department's Management Services, Accountancy Services, Solicitors and Finance and Economic Appraisal (including Internal Audit) Divisions and in Exchequer and Audit Department. One purpose of these discussions will be to dovetail the project with other review exercises recently undertaken in the Department (e.g. on Audit and inspection activities) or currently in progress (e.g. on RDG treatment of self-built assets and on the Regional Office Information System). The Departmental Staff Side (including local Staff Side in the regional offices) will be kept in touch with the review and their views sought. There will also be consultation, where appropriate, with CSD and Treasury and with any other Departments whose interests might be affected.
12. Views on the administration of the RDG scheme will also be sought from "users" of the scheme. This will include the CBI, who have indicated a desire to contribute to the review, a representative sample of applicants (covering large, medium and small industrial companies and leasing companies, who are responsible for a substantial number of applications) and the accountancy profession, whose members are closely involved in the application process.

## Report

13. At the conclusion of the study a report will be produced comprising:-





Description of RDG scheme including:

- its part in regional policy;
- the characteristics of the scheme;
- organisation for administering the scheme;
- existing procedures within RDGO's (including any significant differences in procedures between the RDGO's);
- staffing and costs;

Analysis and comment covering:-

- the efficiency of the organisation of the regional offices;
- the effectiveness of and need for the procedures adopted;
- identification of possible changes in or standardisation of organisation and procedures;
- effect of possible changes on staffing and cost of administration, cost of the scheme itself and on applicants (including their compliance costs);

Recommendations, including estimate of effects and suggested timing (bearing in mind transitional period for policy changes announced in July 1979).

#### Study Team

14. The study will be carried out in consultation with Sir Derek Rayner by a Principal in the Department (Mr R A C Hewes) and an HEO(A) (Mr I Cameron). The study team will report to the Secretary of State through the Minister of State, Lord Trenchard, and will consult with the Permanent Secretary in the Department.

#### Work Programme

15. This project was commenced on 4 February, since when time has been spent on the collection and reading of background material about the RDG scheme, its present organisation and procedures. There has also been preliminary discussion with the Minister of State, the Permanent Secretary





and with officials in RPDG and other divisions interested in the scheme's administration, leading to the production of this study plan.

16. The team will commence shortly a programme of visits to the four RDGO's and interviews with users of the scheme. This will be followed by a period for evaluation and validation, involving further discussion with staff in various DoI divisions and with users of the scheme and consultation as appropriate with the Minister of State, the Permanent Secretary and Sir Derek Rayner. A summary outline of the proposed work programme is at Annex A and it is proposed to complete the final draft report for submission to Sir Derek Rayner within 90 working days.

*The Minister of State and*

17. Sir Derek Rayner has indicated that this is one of the projects with which he will particularly associate himself. As the Prime Minister requested, Sir Derek Rayner's staff have been consulted about the draft of this study plan and the project team will keep in close touch with Sir Derek Rayner during the course of the scrutiny, consulting him especially on findings as they emerge and on the draft report. The Prime Minister has also asked that Sir Derek should discuss the draft report with the Minister of State and that the proposed outcome be reported to her at a point when there is still opportunity for her to comment. This will be taken into account in the arrangements for discussing the report and its implementation.

Department of Industry  
19 February 1980



THE RAYNER SCRUTINY PROGRAMME 1980: DEPARTMENT OF INDUSTRY  
PROJECT

## REGIONAL DEVELOPMENT GRANT ADMINISTRATION

## SUMMARY WORK PROGRAMME

Study commenced	4 February
Study plan and work programme cleared with Minister of State and Sir Derek Rayner	mid February
Preliminary discussion with staff in RPDG and other HQ Divisions	Until late February
Programme of visits to 4 Regional Development Grants Offices and discussions with users of Scheme	March - early April
Evaluation and validation of findings, including further meetings with HQ Divisions, RDGO's and 'users' of scheme	Mid April
Consultation within DOI and with Sir Derek Rayner on emerging conclusions	Mid-end April
Drafting of report	End April - Mid May
First draft report to Lord Trenchard and Sir Derek Rayner	Mid-end May
Final draft report to Lord Trenchard and Sir Derek Rayner	End May - mid June

Department of Industry  
19 February 1980



APPENDIX C

Ready Reckoner: Contact Points

1. HM Treasury Librarian  
Cabinet Office Library
2. Customs & Excise Mr R Dutton  
Accountant and Comptroller's  
Office  
King's Beam House
3. Ministry of Defence Mr Paul Allen  
GFLA  
Room 9114, Main Building
4. Department of Education Mr K M Jones  
Estabs Branch Div B  
Room 4/45  
Elizabeth House
5. Department of Employment Mrs K Hyde  
FD2 Group, Space Level 5  
Caxton House  
Tothill St
6. Department of Energy Mr W Bell  
Room 1541  
Thames House South
7. Department of Environment Mr R E Fawke  
DMS Support Group  
Room 649  
Lambeth Bridge House
8. Home Office Mr P Sullivan  
FD1  
Room 363  
Queen Anne's Gate
9. Inland Revenue Finance Division F1  
Room 95 West Wing  
Somerset House
10. Lord Chancellor's Department Finance Officer  
Neville House
11. Manpower Services Commission Miss M Sullivan  
CSE 10A  
Room 331, 213 Oxford St
12. Department for National Savings Finance Division  
Room 376  
Charles House  
375 Kensington High Street
13. Northern Ireland Office Mr R Megahey  
Department of Civil Service  
for Northern Ireland  
Rosepark House  
Upper Newtonards Rd  
Belfast



as Development Administration

Mr B W Lister  
Eland House  
Stag Place

ty Services Agency

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Office

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PRECIS

FORESTRY COMMISSION

SUBJECT

THE ADMINISTRATION OF PRIVATE WOODLANDS  
GRANTS AND CONTROL OF TREE FELLING

This scrutiny examined the structure and administration of the Private Woodland Grant Scheme and the licensing of felling and made radical recommendations on their cost, efficiency and effectiveness, recommendations which have policy implications and which should therefore be examined alongside the general review of Forestry Commission policies.

MAGNITUDE/SCOPE OF SURVEY

The survey investigated the administration of grants to owners of private woodlands. These grants form a substantial part (£2½ million in 1978/79) of the Forestry Commission's budget as the national Forestry Authority in which role it supports the private sector. Over 5000 woodland owners participate in the chief form of support known as the Dedication Schemes. Some 2000 felling licences are issued annually at an average administrative cost of £130 each. Departments of Forestry Ministers affected are MAFF and the Scottish and Welsh Offices, but DOE also has a substantial interest. Many environmental bodies have views and there is an influential forestry lobby.

CURRENT SITUATION AND PROBLEMS

Under the Forestry Acts 1967 and 1979 the Forestry Commissioners are empowered to make grants and loans with Treasury approval to owners and lessees of land, and grants are being paid for the planting and management of woodlands under the dedication and small woods schemes. These grants totalled £2½ million in 1978-79 and are expected to total £3½ million in each of the next few years.



The total cost of administering grant-aid under all Schemes in 1978/79 was £729,100 which for dedication grants meant £39 administration costs for £100 of grant paid and for the Small Woods Scheme £91 for every £100 of grant. Additionally £189,900 was spent on licensing. Included in these total costs was £115,000 for the associated consultative procedures.

### Licences

When first instituted in World War II felling licences were to protect and husband timber resources for strategic purposes but now, and especially in lowland Britain, the licensing system is seen mainly as an amenity measure. The legislative expression of the Commissioners' licensing powers is out of date in many respects. But it is held by foresters and environmentalists that some controls must remain in the general interest of conserving the countryside. A large number of felling activities require applications but there are exemptions from the need for licences. The exemptions cover chiefly trees of small volume and need recasting to satisfy the amenity objectives for which area of woodland can be as important as individual tree size. Enforcement of licence conditions - mainly to ensure replanting - is a serious difficulty, expensive in staff effort, and at the end of 1978/79 there were 2757 licences with unsatisfied conditions. The control system includes provisions such as felling directions which are cumbersome and unused.

### Grant Aid

In 1943 the policy began of building up the nation's forest estate to achieve 2 million hectares by 2000. Three-fifths would be Forestry Commission new planting, the remainder rehabilitation of woodlands by the private sector assisted through grants under the Dedication Schemes. By 1972 private owners had completed the latter but since 1960 there had also been much planting of bare land fostered mainly by forestry investment companies. For a number of reasons private planting fell away from the early 70s and confidence was not helped by an unpopular new Dedication Scheme (Basis III) introduced in 1974. New incentives are necessary to meet the Government's forestry policy and the part which it sees in this for the private sector. The opportunity to restore confidence is ripe and at the same time to simplify the administration of grant aid.



The present Dedication Schemes are complex, costly and burdensome for all concerned. They involve a legally binding commitment on the owner which restricts his freedom with little in return, and they are not well enough directed to the extension of forestry in the available upland areas.

#### RECOMMENDATIONS

##### a. Action

On licensing eleven recommendations are made, mostly eliminating provisions now irrelevant but recognising the environmental merit of retaining some control of felling. It is proposed to reduce field inspections, charge a fee for a licence on a sliding scale, require a guarantee bond where felling is conditional on replanting and raise the price for non-compliance from £50 to £1000.

On the grant-aid schemes, the existing ones should be phased out and replaced by a unified grant scheme which would be simpler to administer and more flexible in meeting the Government's objectives for private forestry.

##### b. Further study

An urgent review of consultative procedures should be undertaken with the bodies with whom the Forestry Commission consults. This review should seek areas for reduction in consultation and therefore of costs.

#### POTENTIAL SAVINGS

##### a. absolute

1. The Felling Licence recommendations would save £90,000 per annum and charges for licences generate £141,500 per annum.
2. The Grant-Aid Schemes savings are more difficult to quantify but £276,000 per annum is possible.
3. A review of consultative procedures could save the Forestry Commission £10,000 per annum but the total saving of public expenditure would be many times this figure.

##### b. proportionate

55 per cent (savings and extra revenue)

COST OF SCRUTINY    £16,620



ANALYSIS

COMMENTARY

Nature and purpose

- Description of the policy or function and its purpose, including statutory basis if any; stated purpose or aims or objectives; specified results to be obtained, if any; whether facing inward or outward to client groups, eg serving Ministers within their Department, regulatory or executive/operational; whether time-limited or continuing; whether demand-led or Government - volunteered; whether stable or subject to peaking.
- Description of the nature and scale/scope of the policy or function, eg numbers and types of clients dealt with; numbers and types of resultant products (eg statistics); amounts of money handled; volume and types of assets and resources associated with the policy or function.

- Is the purpose of the policy or function clear and clearly understood by all concerned?
- What value does it add to the common good?
- Is the policy or function needed at all, more than now, less than now?

Cost

- Numbers, types and salary costs of staff.
- Associated general administrative expenditure on Department's Votes, specifying items significant for the purpose of the analysis, eg travel, subsistence, telecommunications
- Supporting services provided by the Department from outside the function studied, eg professional and advisory services, research and development.
- Indirect costs which can or cannot be measured, eg registry, personnel management etc.
- Supporting services borne on the Votes of Allied Service departments, eg accommodation and supplies.
- Services provided by any other agency.

- Are manpower and other resources used efficiently?
- Is there any duplication of effort within the Department; between the Department and others; and between the Department and other agencies?
- What is the trend in costs?
- Can the fixed and variable elements in costs be separately identified?
- What is the relationship between costs and the achievement of the purposes/aims/objectives and the policy or function?



ANALYSIS

COMMENTARY

Aspects of organisation

- Position in the departmental organisation; chain of command from the Minister downwards; level in the hierarchy at which responsibility for the policy or function effectively rests.
- Degree of responsibility for management and resource control delegated formally to or in respect of the function by the PFO and PEO.
- Arrangement for making, costing and reviewing the policy implemented by the function; organisational relationship between the function and relevant parts of the organisation, eg if the function studied is executive/operational, its relationship with policy divisions and supporting services (eg statistics, ADP).

- Is the authority of those responsible for the function and of those within it clearly defined and delegated?
- Are the arrangements whereby they account to higher management, the Permanent Secretary and the Minister, eg for the use made of any discretionary authority vested in them, clear and in working order?
- Are the arrangements noted opposite clear and in working order?

Operation

- What are the methods and materials used to carry out the policy or function, eg manual and mechanised paper handling, manual and mechanised calculation: what has to be brought together to produce the service given?
- size and nature of working units; key levels of management; management style, eg participative decision-making.
- Engagement with the client: volumes of work handled over the counter, by visit, by correspondence, by response.
- Relevant history: changes/improvements introduced, in train, planned or deferred.
- Relevant agreements with the staff side, eg on manning and working methods.
- What are the arrangements for reviewing the methods used to carry out the function?

- Commentary on points noted opposite, eg efficiency in the use of and need for the hierarchy; use of and need for checking and monitoring of work; number of steps taken in the process/operations of the function; significance of equity and consistency of treatment in taking and implementing decisions.
- Commentary on any constraints imposed on efficiency and effectiveness from inside or outside the function, eg level and nature of public and Parliamentary expectations; working conventions, including agreements with the staff side; relationships with other parts of the Department; dependence on other departments or agents, eg the allied service departments; quality, numbers, turnover, training and morale of staff; equipment; changes in or uncertainty about policy.



ANALYSIS

COMMENTARY

Appraisal by line management and higher management

- How standards of efficiency and effectiveness are stipulated and by whom; how procedures and methods are stipulated and by whom.
- Management information, indicators of performance in use, if any; measures of performance in use if any. Any other indicators and tests, eg internal audit, audit, staff inspection, O&M. (NB "How much work is done?" and "How well it is done? are different questions.)
- How indicators, information and measures are used, by whom and how often: line management, PFO and PEO; top management group, if any; Accounting Officer; Minister. What action do they take and to what effect?

- Commentary on ease or difficulty of specifying the results to be obtained and of establishing objective criteria by which the effectiveness of performance can be judged, eg nature of task/s; relative discreteness or integration of function within the department; standards of service (eg accuracy, promptness, comprehensiveness, courtesy, flexibility, response to enquiries and complaints).
- Commentary on the arrangements made. In general, are the purposes/objectives specified for function/activity met in practice? Could they be met more effectively?



## ACTION PLAN PART 1 - CONTROL OF FELLING

Item No	Recommendation	Suggested Modifications	Consultations Required	Legislative Action Required	Administrative Action Required	Target Date for Implementation	Expected Savings
1.	Exclude thinnings and selective fellings from control (Para 10.iii)	The exclusion of selective fellings from control could give rise to some difficulties of interpretation but should prove acceptable subject to a tight definition of the term.	IGGB Local Authorities HMA ECU HMAS	Make Regulation under S9(5) of Forestry Act 1967	Forestry Commission to define "thinning" and "selective felling"	October 1981	315 man days per annum at basic staff cost of £11,360.
2.	Enable arrangements to be made by agreement between the Forestry Commission and a local authority whereby IPDs in certain areas (eg London boroughs) need not be notified to the Forestry Commission. (Para 10.xi and 159)	As many areas as possible to be excluded from the notification requirement	IGGB Local Authorities	Amend Regulation 5(6) of the Town & Country Planning (Tree Preservation Order) Regulations 1969, SI 1969 No 17	Forestry Commission to approach relevant local authorities when the Order has been amended.	October 1981	---
3.	Except woodlands worked to a Plan of Operations approved by the Forestry Commissioners from felling licensing. (Para 10.iv)	Consider in the light of the need for plans of operations in the context of planting grants (See comments in Part 2 of Action Plan)	MCC CC Local Authorities IGGB HMA ECU HMAS	Make Regulation under Section 9(5)(a) of Forestry Act 1967	Devise simple form of plan of operations	October 1981	
4.	Extend immunity from IPDs to woodlands worked to a Plan of Operations approved by the Commissioners (Para 10.v)		MCC CC Local Authorities HMA ECU HMAS	Amend IGCP Act 1971 (S.60(7)) and IGCP (Scotland) Act 1972 (S.58(7))	---	October 1982	
5.	Remove isolated woodland blocks of less than 0.25 hectares from felling control (Para 10.1)	Increase the threshold to 1 hectare. Substitute "detached" for "isolated"	MCC CC Local Authorities HMA ECU HMAS	Make Regulation under S.9(5) of Forestry Act 1967	Forestry Commission to arrange publicity	October 1982 (dependent on legislation for notification system - next recommendation)	1450 man days at basic staff cost of £52,350 from date of implementation (based on the 0.25 ha limit)
6.	Institute a notification system for woodland areas of less than 0.25 hectares (Para 10.ii)	Increase the upper limit for notification to 1 hectare to correspond with the limit for exemption from felling control	" - "	Amend Town & Country Planning Act 1971 (Section 61A) and Town & Country Planning (Scotland) Act 1972 (Section 59A)	To devise system in conjunction with Local Authorities. DOE/SDD/WO	October 1982	Possible extra work for local authorities but this should not outweigh savings to the Forestry Commission
7.	Charge a fee for grant of a felling licence (Para 10.vii)	---	" - "	Amend S.9(1) of Forestry Act 1967	Forestry Commission to devise scale of charges and a system for collection	October 1982 or earlier - see comment in Part 2	No staff saving, but net financial benefit to exchequer of £141,500 p.a.
8.	Require applicant to provide a guarantee bond where the granting of a licence is to be made conditional on replanting (Para 10.viii)	---	MCC CC Local Authorities IGGB HMA ECU HMAS	Amend S.12(1) of Forestry Act 1967	Forestry Commission to draft form of guarantee	October 1982	706 man days per annum £25,500 basic staff cost
9.	Repeal the provisions relating to felling directions (Para 10.x)	---	" - "	Repeal Sections 18-23 and amend Sections 24-26 of Forestry Act 1967	---	October 1982	---



Item No	Recommendation	Suggested Modifications	Consultations Required <sup>a</sup>	Legislative Action Required	Administrative Action Required	Target Date for Implementation	Expected Savings
10.	Increase maximum fine for failing to replant from £50 to £1000 (Para 10.1iv)		Local Authorities IGGB HINA ECW HINAS	Amend Section 2(4) of Forestry Act 1967	---	October 1982 or earlier - see comment in Part 2.	---
11.	Remove restriction on sale of licence-free quota (Para 10.vi)		---	Repeal Sections 9(3) (b) (ii) and 9(5) of Forestry Act 1967	---	October 1982	---
12.	Increase the minimum size of tree requiring a licence from 8 cas to 15 cas (Para 10.vii)	Suggest no action on this recommendation. (See comments in Part 2 of Action Plan)	---	---	---	---	---

<sup>a</sup>See key to abbreviations on page 4.



ACTION PLAN - PART 2

A - CONTROL OF FELLING

RECOMMENDATION (REPORT PARA 10 i; ACTION PLAN PART 1, ITEM 5)

Remove isolated woodland blocks of less than 0.25 hectares from felling control

Notes: Includes hedgerow trees.  
Accounts for 20% of felling licence applications.  
Corresponds with lower limit of proposed new grant scheme.  
"Isolated" in this context means "detached".

FC Advice on Recommendation

Accept subject to raising the limit to one hectare.

Comment and Explanation

Many argue that control of woodland areas below about 10 hectares is more appropriate to those directly responsible for amenity rather than to the Forestry Authority. Such a transfer of responsibility, however, would merely be shifting the burden from one public authority to another. On the other hand it is felt that responsibility for dealing with areas of up to one hectare in total extent could reasonably be absorbed by local authorities. The licensing of such areas would be replaced by a system of notification to local authorities (see recommendation 10 ii) who are already heavily involved with licensing through the consultative procedures. These proposals are accepted in principle by DOE, SDD and the Welsh Office although some reservations have been expressed about the possible effect on the existing local authority work load.

Implementation

The removal of these small discrete areas of woodland from felling licensing can be achieved by Regulations made under the existing provisions of the Forestry Act 1967 but the proposed notification system to replace licensing will require amendment of the Town and Country Planning Acts.

It is unlikely that Parliamentary time for the primary legislation can be found before the early part of the 1981/82 Session which therefore suggests an implementation date of 1 October 1982.

-----  
RECOMMENDATION (REPORT PARA 10 ii; ACTION PLAN PART 1, ITEM 6)

Institute a notification system for woodland areas of less than 0.25 hectares

Notes: Notification would normally be to the District Council.  
Analogous to the system for Conservation Areas under the Town and Country Planning Acts.

FC Advice on Recommendation

Accept subject to increasing limit to one hectare if the modification proposed to Recommendation 10 i above is agreed.



Comment and Explanation

See previous recommendation (10 i).

Implementation

Propose legislation in the 1981/82 Session for implementation in October 1982.

-----  
RECOMMENDATION (REPORT PARA 10 iii; ACTION PLAN PART 1, ITEM 1)

Exclude thinnings and selective fellings from control

Notes: Accounts for about one-third of all licence applications.  
Thinnings not normally subject to consultation and generally unexceptionable on amenity grounds.  
Selective fellings means final fellings done in small pockets.

FC Advice on Recommendation

Accept.

Comment

In order to prevent abuse, the terms "thinning" and "selective felling" will require careful definition.

Implementation

Since this can be effected without the need for primary legislation, and is not dependent on any of the other proposed measures, it is intended to introduce this economy by means of a Forestry Commission Order in advance of the other felling control measures. Target date 1 October 1981.

-----  
RECOMMENDATION (REPORT PARA 10 iv; ACTION PLAN PART 1, ITEM 3)

Exempt woodlands worked to a Plan of Operations approved by the Forestry Commission from felling licensing

Notes: Fellings prescribed in an approved Plan of Operations under the dedication scheme are already exempt under the existing provisions of SI 1979 No 792. The new proposal would extend this exemption to woodlands worked to an approved Plan under the new simplified grant scheme recommended in paragraph 19 ii of the Report.

FC Advice on Recommendation

Implementation will depend on the decision made on the Plans of Operations question raised on Recommendation 19 ii.



Comment and Explanation

One of the main reasons advanced for the proposed exemption is that it would encourage maintenance of Plans of Operations. As explained in the comment on Recommendation 19 ii, however, this would involve a continuing administrative burden both for the Forestry Commission and woodland owners. The proposed exemption from licensing would also provide a loophole for the evasion of replanting conditions which may be attached to a licence. This could be overcome by extending the guarantee bond procedure (see recommendation 10 viii) to fellings carried out under Plans of Operations but one of the main incentives for working to an approved Plan would then disappear.

Implementation

This can be achieved by means of a Forestry Commission Order. Target date October 1981.

-----  
RECOMMENDATION (REPORT PARA 10 v; ACTION PLAN PART 1, ITEM 4)

Extend immunity from Tree Preservation Orders to woodlands worked to a Plan of Operations approved by the Commissioners

Notes: Dedicated areas are currently immune under the Town and Country Planning Acts from the imposition of TPOs.

FC Advice on Recommendation

Consider in conjunction with 10 iv above.

Comment and Explanation

If Plans of Operations were to be dispensed with in the new scheme this recommendation would fall. In any case its value as an incentive to maintain Plans of Operations is now minimal since the changes to TPO procedure under the Local Government Planning and Land (No 2) Bill are likely to reduce the probability of TPOs being imposed on substantial areas as opposed to individual trees and groups.

Implementation

This would require amendment of the Town and Country Planning Acts: it is unlikely that Parliamentary time for this can be found before the early part of the 1981/82 Session, which therefore suggests an implementation date of October 1982.

-----  
RECOMMENDATION (REPORT PARA 10 vi; ACTION PLAN PART 1, ITEM 12)

Increase the minimum size of tree requiring a licence from 8 centimetres to 15 centimetres

Notes: The reasons advanced in the Report for this change are

- i. that it reflects the changed reason for licensing, and
- ii. it would reduce the number of licence applications.



FC Advice on Recommendation

Reject.

Comments and Explanation

Since thinnings will be exempt from licensing, this can only apply to clear fellings which would not normally be contemplated at this size. The effect of the change would therefore be minimal and is not considered to be worthwhile in forestry terms, whereas it would inevitably incur the opposition of environmental interests, especially with regard to unproductive woodland areas.

-----  
RECOMMENDATION (REPORT PARA 10 vii; ACTION PLAN PART 1, ITEM 7)

Charge a fee for the grant of a licence

Notes: Variable scale of fees is proposed, based on area to which licence refers. Funds to meet the cost would be available from sale of timber.

FC Advice on Recommendation

Accept in principle.

Comment

Based on the scale of charges suggested in the Report there would be an estimated financial benefit to the exchequer of £141,500pa. The way in which the proposed scale is structured could give rise to anomalies and further thought will need to be given to this aspect to ensure that the effect of the charges is broadly neutral.

Implementation

An amendment to the Forestry Act will be required to give authority for the charging of a fee. The amendment would be a relatively straightforward one and might perhaps be included in the Forestry Bill shortly to be presented to Parliament, at say the Committee stage. Otherwise the first opportunity for legislation on this point is not expected to occur until the 1981/82 Session.

-----  
RECOMMENDATION (REPORT PARA 10 viii; ACTION PLAN PART 1, ITEM 8)

Require applicant to provide a guarantee bond where the granting of a licence is to be made conditional on replanting

Notes: 34% of licences issued in 1978/79 were conditional on replanting. The sum guaranteed by the bond would be equivalent to the cost of replanting calculated as a multiplier of the appropriate rate of grant. The annual cost of a bond is likely to be about 2% of the sum guaranteed. The conditions of the bond would be regarded as fulfilled when the first grant payment was made.



FC Advice on Recommendation

Accept.

Comment

The present remedies for failure to comply with the replanting conditions of a felling licence are so cumbersome and ineffectual that they are never resorted to. In about half the conditional licence cases enforcement is never achieved. The use of the guarantee bond should result in a higher success rate for much less administrative effort.

Implementation

A system of guarantee bonds will require careful administrative and legal preparation and consultation before implementation and it would not be possible to introduce this through the current Forestry Bill. The earliest date for legislation is likely to be in the 1981/82 Session, with a target date for implementation of October 1982.

-----  
RECOMMENDATION (REPORT PARA 10 ix; ACTION PLAN PART 1, ITEM 10)

Increase the maximum fine for failure to replant from £50 to £1,000

Notes: More realistic by today's standards and in line with similar provisions for TPOs.

FC Advice on Recommendation

Accept.

Comment

Bonds are seen as the main means of securing the replanting of the land but the fines should be retained and updated to a more realistic level.

Implementation

An amendment to the Forestry Act will be required to give authority for the new maximum fines. The amendment would be a relatively straightforward one and might perhaps be included in the Forestry Bill shortly to be presented to Parliament, at say the Committee stage. Otherwise the first opportunity for legislation on this point is not expected to occur until the 1981/82 Session.

-----  
RECOMMENDATION (REPORT PARA 10 x; ACTION PLAN PART 1, ITEM 9)

Repeal the provisions relating to Felling Directions

Notes: These provisions have never been used.

FC Advice on Recommendation

Accept.



Comment

A tidying-up operation. Present policy does not require these provisions.

Implementation

This would require detailed changes to the Forestry Act and since time is not of the essence in relation to this proposal it is suggested that it should be dealt with in the context of the amending legislation to be introduced in 1981/82.

-----

RECOMMENDATION (REPORT PARA 10 xi; ACTION PLAN PART 1, ITEM 11)

Remove restriction on sale of licence - free quota

Notes: No longer necessary to preserve growing stocks.  
Difficult to enforce.

FC Advice on Recommendation

Accept.

Comment

The original purpose of this provision was to restrict the sale of timber at a time of national shortage while enabling the farmer or small estate owner to fell such timber as he might reasonably need for fencing and general maintenance purposes on his own land. This restriction is no longer necessary but it would be the intention to remind local authorities of their powers to protect trees of amenity importance through the TPO Regulations.

Implementation

This would require relatively straightforward and uncontentious amendments to the Forestry Act and could be included in the current Forestry Bill if this were possible. On the other hand, this proposed change is not a pressing one and it is suggested that it should be left to a later legislative opportunity.

-----

RECOMMENDATION (REPORT PARA 10 xi and 159; ACTION PLAN PART 1, ITEM 2)

Enable arrangements to be made by agreement between the Forestry Commission and a local authority whereby TPOs in certain areas (eg London Boroughs) need not be notified to the Forestry Commission

Notes: One Forestry Commission Conservancy has received over 23,000 copies of TPOs, many relating to trees in urban areas.

FC Advice on Recommendation

Accept.



Comments

This should reduce time spent on recording and checking against licence applications. The opportunity should be taken to exclude as many areas as possible from the notification requirement.

Implementation

This will require a simple enabling amendment to SI 1969 No 17. Target date October 1981.



A



MANAGEMENT - IN CONFIDENCE

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

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

The Prime Minister has seen your letter of 19 February. She understands the reason why it was delayed and agrees with your Secretary of State's proposals for scrutinies of the Movement of Service Personnel, Defence Telecommunications and Dissemination of Information.

The Prime Minister has asked Sir Derek Rayner to take a particular interest on her behalf in the Movement scrutiny, in addition to those of Defence Sales and financial management.

The Prime Minister welcomes the possibility that further scrutinies will be proposed later in the year when your Secretary of State has been able to extend his knowledge of the department. She herself thinks that further scrutinies should be undertaken, some with a focus on manpower-intensive areas, and that these would be helpful to both the Secretary of State and wider policies on the size and cost of Government. They could, if appropriate, build on existing work within the Ministry.

The Prime Minister has asked Sir Derek Rayner to discuss these matters with your Secretary of State before Easter and would also be grateful if the Lord President could be associated with his thinking at some stage.

I am copying this to John Wiggins (Tsy), Edward Chaplin and Jeremy Colman (CSD), David Wright (CO), Geoffrey Spence (CPRS) and Clive Priestley (Sir Derek Rayner's Office).

C A WHITMORE





na Govt Made  
MAD

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-990-5122 ext 233 8224

25<sup>th</sup> February 1981

Dear Mike,

We spoke. The only thing to add is that J. Nott has now suggested a "working lunch" with Jack - on 15 April!

If you had any wise words first thing to mention morning my words, as always, be very welcome to

Yours ever,

Clare

M.A. Pattison Esq<sup>c</sup>





## CABINET OFFICE

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

MAP seen

25 February 1981

The Rt Hon The Lord Soames CH GCMG GCVO CBE

*John Nott*  
SCRUTINY PROGRAMME 1981: MINISTRY OF DEFENCE

1. Thank you for your letter of yesterday. I agree that the clutch of proposals from John Nott is in many ways disappointing but I am not sure that to attack him formally would be the best proceeding. My reasons for this are as follows.
2. First, whatever we may think of it, the set of proposals made by MOD amounts to five scrutines (more than any other Department's) and participation in R&D supporting services review. So it cannot be argued that John Nott is being unhelpful. And I know that, the struggles within MOD between different interests being what they are, the passenger travel scrutiny has only been forced into the list with enormous difficulty. The (covert) argument for it being that the "scrutiny method" will cut ice in a way that the normal "internal method" will not.
3. Secondly, if you look at it from John Nott's point of view, you see that:
  - he was stuck with the Defence Sales and Financial Management scrutines before he arrived
  - he (and other Ministers) have had the R&D scrutiny dropped on them willy-nilly
  - he was asked by the PM to take a grip of the organisation but has not yet had a chance to do so
  - he has been in his new (and very demanding) post for less than 2 months.
4. That adds up to saying simply that John Nott has inherited what is a difficult Department at the best of times at what we all know is one of the worst times.
5. Thirdly, I have to consider the man as I know him. It is the case, although it is not especially significant, that I have had no reply to two letters I have sent him since his arrival in MOD. In my experience of him, he is very much his own man and



my strong instinctive feeling is that there would be little to be gained, and possibly much to be lost, from seeking to batter him into conceding further and bigger scrutinies at this point.

6. I understand that the PM would be willing to exert some pressure on John Nott as regards rationalisation (eg of the HQ organisation), but not yet. That seems not unfair, given his newness in post and, what I know very well from my past experience of MOD and recent informal contacts at the highest levels, that only the Secretary of State can make and seize some of the most important opportunities for change. John Nott will, as I would in the same place, want some time to sort this out for himself and I would be reluctant to lob rocks at him in his fortress when I felt no more assurance about it than that they would probably leave him untouched but fall back on my own head.

7. What this comes down to, in my judgment, is this:

- advising the PM to agree to the three new scrutinies but to register in suitable terms her desire that more should indeed be done later in the year
- advising her to tell John Nott that I would be calling on him after a period of weeks to explore the possibilities for further work
- advising her that this should be expressed in reasonably light terms
- advising her that, in the meantime, you and I would take an opportunity to have a personal and informal chat with John Nott about how things are going.

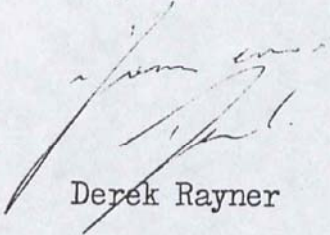
8. I do sense that if we worked up a great rage at the moment we could probably extract another scrutiny from John Nott here and now. For example, I believe that the one you mention (support services for the Army) could be brought in to the scrutiny programme without much difficulty and, indeed, that MOD officials are ready to move it across in that way.

9. My reservation is that we could get much more, a bit later on and by better tactics. Of course, that is simply my view. If you as the central Minister responsible for manpower estimates wanted here and now to throw down a gauntlet and tell John Nott that you would have great difficulty over his Estimates for the next relevant financial year unless he had satisfied you that he was carrying out certain scrutinies, you would be within your rights, however unaccustomed central Ministers have been in the past to acting in that way. It might well be that John Nott would even welcome such external pressure in dealing with the conflicted and vested interests by which he is supported. However, my judgment is that the course I have outlined above is the better one.



10. I have asked my office to draft a minute to the Prime Minister in that sense. It will be sent across to you very soon. I would hope that we could agree so to advise the Prime Minister on her return from Washington. But if you feel that a formal démarche would produce better results, let us consider how it might be devised.

11. I am copying this to Barney Hayhoe, who has the useful experience of serving "under two flags".

  
Derek Rayner

*P.S. If you would like a quick word after  
revisiting the above it would be happy to call and  
see you.*





*MAP seen*

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

Sir Derek Rayner  
Cabinet Office  
70 Whitehall  
LONDON SW1A 2AS

24 February 1981

*Dear Derek,*

SCRUTINY PROGRAMME 1981: DEFENCE

I am sorry to see that the Defence proposals for the 1981 scrutinies do not include a manpower-intensive subject. In view of the Prime Minister's explicit request to the bigger employing departments, I must say I find this both extraordinary and even worrying.

For the most part the studies referred to merely follow through existing ones and in any case are mainly concerned with possibilities for getting existing tasks done privately rather than bearing on improving, simplifying and reducing the manpower content of tasks which have to be done in the public sector.

The difficulties of finding suitable subjects are surely overstated. We, and you, have made a number of suggestions informally; none of these have been taken up. I understand that there is, for example, to be an investigation of some kind into the use of military personnel in Army support services. I should have thought it would have been a relatively straightforward matter to have accompanied this by a parallel review of civilian services in this critical manpower-intensive area.

I would feel extremely unhappy about letting matters rest on the vague suggestion that the Secretary of State "may wish to make further proposals for studies as the year goes on". If we are to break the logjam in the Ministry of Defence and get some real improvements in manpower efficiency there we need to start as soon as possible.

In short, I think the Prime Minister should be advised to go back to John Nott on this one. I would be happy to have a go at him myself, or indeed to speak to the Prime Minister about it, if this would help. *Or would you prefer to press on with it yourself.*

I am not copying this more widely at present.

*Yours ever  
Christopher*



VB

*You had*

MR. PRIESTLEY

Thank you for your minute of 23 February, about the Scrutiny Programme in the MOD.

The Prime Minister will not have an opportunity to focus on this before her departure for Washington. We therefore suggest that it would be more useful for you to make the points you propose direct to the Secretary of State's office.

MAP

24 February 1981

*NPL/m*





SIR DONALD MAITLAND GCMG OBE  
PERMANENT UNDER SECRETARY OF STATE

DEPARTMENT OF ENERGY  
THAMES HOUSE SOUTH  
MILLBANK  
LONDON SW1P 4QJ

01-211 4391

23 February 1981.

*Dear Derek,*

THE SCRUTINY PROGRAMME 1981.

Following our meeting on 30 January, I have developed my proposal that this Department should adopt its proposed study of the handling of its international business as its 1981 Rayner Scrutiny. I attach details in the form requested in the letter of 1 December 1980 from Clive Whitmore. Bryan Emmett has discussed this proposal with Clive Priestley and I hope we can now proceed on the basis that this study will fulfil the remit to hold a further Scrutiny in 1981.

The proposal in Douglas Wass's letter of 9 February for a study of the requests made by the Department to its nationalised industries for information, views etc., is certainly one that we ought to bear in mind for the future.

I am sending a copy of this letter and its enclosure to Douglas Wass, Michael Palliser and Clive Whitmore.

*Yours sincerely,*  
*Donald Maitland*

Sir Derek Rayner,  
Cabinet Office,  
70 Whitehall,  
London SW1A 2AS.

Encl.





## DEPARTMENT OF ENERGY 1981 RAYNER SCRUTINY

(a) Subject

The international business handled by the Department of Energy.

(b) Cost

At present, the cost of handling this business is unknown. At the minimum, the cost of Community and International Policy Division (CIP) which deals exclusively with international business, is about £575,000 (1980 Basic Staff Cost plus Accommodation and Common Services). Costs of effort put in by ministers, by more senior staff in the Open Structure, and by staff in divisions other than CIP is additional to this. As well, there is the cost of travel and subsistence - the forecast out-turn for overseas travel and subsistence in 1980-81 is £300,000.

(c) Reasons

There is a consensus of opinion within the Department that the effort expended on international business has grown considerably over the past decade, and a suspicion that not all this work is truly essential to the promotion and defence of UK energy policies. This suspicion is re-inforced by one of the findings in the Department's 1980 Rayner Scrutiny that some of the work undertaken in the Economic and Statistics division on international statistical returns was not justified. It is therefore timely to take stock of the position and to establish whether all the work currently undertaken is essential to the promotion and defence of UK energy policies, and to examine whether there are more cost-effective ways of handling the Department's essential international business.

(d) Terms of Reference

To establish the cost of international work handled by the Department of Energy; to review the objectives of that work and the degree of priority attached to it; to consider whether any such work could be cut out without damaging the Department's energy policy objectives and whether there is scope for initiatives with other countries and in international organisations to reduce the load of international work generally; and to examine whether the essential international work could be handled with fewer staff and at a lower cost - e.g. by further cutting down on attendance at meetings through use of UK representatives abroad.

(e) Proposed Starting and Finishing Dates

This study will take longer than the 60 days that are usual





for Rayner studies. The starting date will be the end of April and the target completion date 31 July 1981.

(f) NAMES OF EXAMING OFFICER AND MINISTERIAL REPORTING ARRANGEMENTS

Examining Offices to be advised. Mr Norman Lamont will be the minister supervising the study.



*C/W*

Mr PATTISON

*MAP*  
*I don't think that a letter on these lines can go from here without showing Nott's letter to the (mini) Ministry. And I don't propose to trouble her with*

*Are you prepared to give Mr Nott a further nod, as in para 3 of the draft - this is the only point of any substance?*

THE SCRUTINY PROGRAMME: MINISTRY OF DEFENCE

*but see - Washington. So I suggest the response to the MOD goes from Sir Derek Rayner's Office.*

1. I have discussed Mr Norbury's letter of 19 February to Mr Whitmore with Sir Derek Rayner.

*hw*

*23 ii*

*MAP 23/2*

2. He takes the view that

- Mr Nott's proposals for scrutines of the Movement of Service Personnel, Defence Telecommunications and Dissemination of Information should be agreed;
- although this is a rather disappointing clutch, it would be impolitic to press for more at this stage, comparatively soon after Mr Nott's arrival in MOD, given that he is already committed to scrutines of Defence Sales, Financial Management and R&D Supporting Services (interdepartmental); and
- the possibility of further proposals should be seized upon.

3. Accordingly, I suggest the attached draft letter. It could go from here (like other responses to scrutiny proposals), but it might be better for it to carry the Downing Street flag.

4. I put particular emphasis on the need to pursue MOD on "further proposals" and to give some indication of the areas which should be covered in discussion between Mr Nott and Sir Derek Rayner. This is because - as the note of my talk with the CDS on 12 February shows in respect of HQ organisation - while there is a wide recognition within MOD of possible targets for scrutiny, there is also much embarrassment and hesitation about going for them because of convention, reluctance to disturb vested interests and the want, below the Secretary of State himself, of a source of authority which is comprehensive and powerful enough to launch a radical review.

*Sp*

\_\_\_\_\_

C PRIESTLEY  
23 February 1981

Enc: Draft letter to Mr Norbury



DRAFT OF 23 FEBRUARY 1981

MANAGEMENT - IN CONFIDENCE

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

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

The Prime Minister has seen your letter of 19 February. She is grateful for and content with your Secretary of State's proposals for scrutinies of the Movement of Service Personnel, Defence Telecommunications and Dissemination of Information.

The Prime Minister has asked Sir Derek Rayner to take a particular interest on her behalf in the Movement and Telecommunications scrutinies, in addition to those of Defence Sales and financial management.

The Prime Minister is glad that your Secretary of State may wish to propose further additional scrutinies later in the year. She has asked Sir Derek Rayner to discuss this with Mr Nott in a month or so; she herself thinks that further suitable subjects should be found, whether spanning the three Services (similar to Movement of Service Personnel), or bearing on the headquarters organisation of the Ministry of Defence or on such expenditures as civilian support for the Services.

I am copying this to John Wiggins (Tsy), Jim Buckley and Jeremy Colman (CSD), David Wright (CO), <sup>Gerry</sup>~~Geoffrey~~ Spence (CPRS) and Clive Priestley (Sir Derek Rayner's Office).

C A WHITMORE



MANAGEMENT IN CONFIDENCE



MO 8/14

MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~9217202~~ 218 2111/3

19th February 1981

Dear Clin,

EFFICIENCY IN CENTRAL GOVERNMENT:  
SCRUTINY PROGRAMME 1981

My Secretary of State regrets that, because of the recent nature of his appointment here, a Ministry of Defence response to your circular letter of 1st December last year has been delayed.

My Secretary of State, after careful consideration of the Department's advice to him, wishes to propose that the Ministry of Defence should mount scrutinies of our policy on Movement of Service Personnel, Defence Telecommunications, and Dissemination of Information. Information sheets in the form requested are attached.

Reporting arrangements for the above projects will follow the 1980 procedures; scrutiny officers will be attached to the Management Services (Organisation) Division but will report directly to the 2nd Permanent Under Secretary of State and the Parliamentary Under Secretary of State for the Army.

My Secretary of State is very conscious of the point made in the third paragraph of your letter of 1st December that some, or all, studies should concentrate on areas which are manpower intensive. Much work is, however, already being done in the main manpower intensive areas of the Ministry of Defence, particularly, but not necessarily confined to, follow-up of the major studies completed last year. This work includes the review of the future status of the Royal Ordnance Factories in which my Secretary of State is personally involving himself;

C A Whitmore Esq

MANAGEMENT IN CONFIDENCE

*B*  
*Mr. Bettman*  
*God Mad.*  
*Comments will come from D.R. M.D.*  
*A pretty heavy opening.*  
*MW*  
*1981*



MANAGEMENT IN CONFIDENCE



our move, following Lord Strathcona's study, to move more post design and R & D supporting services out of government and to secure greater industrial involvement in several of our establishments; a drive, following the Under Secretary of State for the RAF's study of Quality Assurance, to reduce substantially the Civil Service manpower engaged in this task; the Under Secretary of State for the Royal Navy's study of the Royal Dockyards on which my Secretary of State is now urgently considering next steps; and, in the light of Mr Hayhoe's supply management studies, work on further contracting out of food procurement and on the possibility of making substantial manpower savings by letting Servicemen play a greater part in furnishing their own married quarters. It is in the light of all this work, and also of the general problem in a Department of this size of identifying likely scrutiny subjects which are both of manageable size and organisationally discrete, that Mr Nott makes the proposals in my second paragraph. He may wish to make further proposals for studies as the year goes on.

The Prime Minister has already asked, and my Secretary of State has agreed, that Sir Derek Rayner be associated with a scrutiny of Defence Sales and with our two linked studies of the Control of Expenditure and Financial Accountability. The Ministry of Defence is also contributing to the inter-Departmental review of administrative support for R&D.

I am sending copies of this letter to the Private Secretaries to the Chancellor of the Exchequer, the Lord President, the Head of the Home Civil Service, the Secretary of the Cabinet, the Head of the CPRS and Sir Derek Rayner.

*Your cord,  
B.M.*

(B M NORBURY)



## MOVEMENT OF SERVICE PERSONNEL

### SUBJECT

The arrangements for group travel on duty by Service personnel within the UK.

### COST

The cost of all Service duty personnel movements by commercial means within the UK is about £33M a year. Costs of the provision of Service transport for group duty travel are as yet unquantified.

### REASONS FOR SELECTING THE SUBJECT

The Services operate their own coach fleets for group travel within the UK but also have arrangements with British Rail and other commercial operators. The standing agreement with British Rail is due for re-negotiation during 1981. The study is designed to review the cost-effectiveness of present arrangements.

### TERMS OF REFERENCE

To examine the Services' present arrangements for group duty travel within the UK and, in particular, to consider whether the balance between nationalised industries, other commercial operators and Service transport represents the most cost-effective use of resources; and to recommend what changes may be required.

### DATES

May - August 1981

### EXAMINING OFFICER

Mr D R J Pollock (Principal)



## DEFENCE TELECOMMUNICATIONS

### SUBJECT

The organisation within the Ministry of Defence for the provision and effective utilisation of fixed facilities for telecommunication.

### COSTS

About 300 telecommunications staff are employed in Headquarters locations at an annual cost of £3.5M. Telecommunications rental charges for all three Services and the Procurement Executive cost about £53M a year.

### REASONS FOR SELECTING THE SUBJECT

This is an area of rapid technological change. At present there are a number of different organisations within MOD with responsibilities in this field. The same organisations are normally responsible for both administrative and operational traffic for which the same facilities are generally used. The aim of the study will be to assess whether the present structure within MOD is the most effective way of ensuring the economic use of existing fixed telecommunications facilities (excluding tactical facilities) and of exploiting technological developments, for both administrative and operational purposes.

### TERMS OF REFERENCE

To review the organisational arrangements within MOD for the provision and utilisation of fixed telecommunications facilities and to recommend where improvements can be made.

### DATES

September - December 1981

### EXAMINING OFFICERS

Miss A M J Walker (Principal)

Service Officer (Communications Expert)(to be nominated)



## DISSEMINATION OF INFORMATION

### SUBJECT

The means of disseminating information to staff within the Ministry of Defence.

### COSTS

The total cost of disseminating information to staff is not known.

The annual cost of editing and printing the five most widely distributed publications (Defence Council Instructions, Office Memoranda, Notices to Directors and Heads of Divisions and Office and Telephone Directories) is £0.5M; this figure takes no account of the costs of either the considerable additional staff effort involved in preparing contributions, storage and subsequent local distribution and amendment, or other relevant publications, such as Ministry of Defence Manuals. (In all, 66,000 copies of nine current MOD Manuals are amended regularly through the publication of revised pages and chapters for incorporation in looseleaf binders).

### REASONS FOR SELECTING THE SUBJECT

Considerable effort is devoted to disseminating information within the Department by a variety of manuals, directories and Departmental instructions. Effort is devoted to writing, editing, printing, storing, distributing and amending each publication. This review would examine whether there is scope for rationalisation and improvement including the use of new technology.

### TERMS OF REFERENCE

To examine the requirement and cost-effectiveness of present arrangements for disseminating information to staff within MOD by means of Departmental instructions and similar recurring publications and to recommend improvements.

### DATES

To be decided. (Depending on availability of examining officer)

### EXAMINING OFFICER

Probably Civil Service Specialist (to be nominated)



FILE

VLB

BF

9/3/81

MR. PRIESTLEY

Thank you for your minute of 9 February, about scrutiny proposals for 1981 from the Agriculture Departments.

The Prime Minister would be grateful if Sir Derek Rgyner would pursue both the fisheries research proposal, and possibilities in the Forestry Commission, along the lines set out in your minute.

M A PATTISON

11 February 1981

BF





10 DOWNING STREET


Tim.

Meeting was cancelled.

am.

17/8



  
REPAYMENT FOR PSA SERVICES: BRIEF FOR PRIME MINISTER'S MEETING  
ON WEDNESDAY 18 FEBRUARY 1981

The main issue

1. Sir Derek Rayner recommends repayment for office, storage and specialised accommodation (the UK Civil Estate) and for furniture, equipment, transport etc (PSA Supplies). Sir G Howe and Lord Soames agree to both.
2. Mr Heseltine agrees to repayment for PSA Supplies, but argues for "attribution" rather than repayment for accommodation, at least as a first step.

The arguments

3. Mr Heseltine: Attribution would be as effective as repayment in encouraging cost-consciousness while avoiding what he sees as the added complexity of repayment for Vote accounting. Repayment has certain staff costs - an estimated 15 posts for PSA Supplies and 45 for the Civil Estate - but unquantifiable benefits. There is in any case he believes a greater sense of cost-consciousness in departments.
4. Sir Derek Rayner: "Free-goodism" encourages prodigality: no-one has the incentive to manage effectively the goods and services in his charge unless he pays for them. Attribution would still leave PSA picking up departments' bills. The staff cost of operating repayment is trivial compared with the value of the resources now supplied free of charge and could be offset against PSA's manpower savings as repayment bites on the use of accommodation.

Note: This Government has moved firmly towards repayment. Stationery and printing (HMSO) and computers (CCTA/CSD) are now on repayment. Publicity (COI) will be recommended for repayment. The Prime Minister sees the Civil Service College as a good candidate. Mr Heseltine agrees to repayment for PSA Supplies.









- Chancellor to write (on the grounds that it concerns Vote arrangements)
- Lord President to write (on the grounds that it is about efficiency and administrative costs).

MA.

D R ALLEN  
16 February 1981

conqueror



COVERING PERSONAL AND CONFIDENTIAL

Mr PATTISON

*CAN has seen MA  
MAA*

FINANCIAL MANAGEMENT IN MOD

1. I sent you a copy of a note of my talk with Col Walden on 2 February.
2. I have now seen the Chief of the Defence Staff and you may like to have the attached note of my talk with him. CDS spoke to me on the basis that our meeting was private and I am sure that the attached note would therefore be handled with discretion in your office.
3. The most interesting thing about the analysis made by Col Walden and CDS is their agreement that opportunities to rationalise the organisation of defence are difficult to generate because of the pressure of other events, the difficulty of finding time and the resistance likely to be put up by vested interests. In the light of this CDS's references to the need for ruthlessness in the Secretary of State and to an external agency to undertake the analysis are particularly interesting.
4. I am hopeful that, even if we do not get a study of rationalisation, which I think very much needed, the scrutiny of financial management will open the oyster for us. (In this connection, CDS's references to Mr Nott's attitude towards Rayner studies is (if accurate) slightly chilling. We still have not had the MOD bids for the scrutiny programme. Sir Derek Rayner has written a personal note to Mr Nott asking whether it would be helpful for him to go over for a talk about this. I told CDS incidentally, that Sir DR and Mr Nott had had a very useful lunch last autumn and that my impression was that Mr Nott was not opposed to scrutinies but to Sir DR telling Ministers how to go about their jobs - which, needless to say, is not a business that Sir DR is in.)

*Sp*

---

C PRIESTLEY  
16 February 1981

Enc: Note of a talk with Sir Terence Lewin



"THE HIGHER ORGANISATION OF DEFENCE"

1. The Chief of the Defence Staff, Sir Terence Lewin, gave me his views on matters arising from this subject on 12 February. His Military Assistant, Group Captain M J Graydon, was also present; this officer had helped CDS with his Mountbatten Lecture printed in the RUSI Journal for last December.

Background

2. CDS said that he was in his seventh job in MOD, so he had much experience of its organisation, going back to 1963-64 when amalgamation had taken place. He had had many talks with Mr Pym, who had been keen to change the structure of MOD, but had not understood how the organisation worked nor been willing to get to grips with it. Mr Nott had taken to heart what the PM had said on his appointment but so far had only vague ideas of what to do.

Organisational strengths and weaknesses

3. CDS said that it was difficult to prove that the organisation was bad and had failed. Most of the serious problems were caused by unpredictable defence cuts. It would be better to think in terms of changing and improving the organisation so that it functioned more effectively.

4. He had discussed Col Walden's article with him. While he agreed that "power was money" and that the centre did not have enough, there was much in the article that he did not agree with. Things were not as simple as Col Walden suggested and there were very good reasons why the current organisation was as it was. For example, he thought Col Walden a bit extreme on the subject of "copious briefing". There were indeed committees, but MOD was spending huge amounts of money (£11 billion); decisions were difficult and could not be arrived at easily. Moreover, while it was very difficult,



as Col Walden argued, to take a "Defence" view, they had worked with the system for many years and it was not easy to see what alternative one would have. He did not think that Lord Mountbatten had been tactically "extremist" in his original plan; indeed, the Ismay/Jacob Report had gone further in envisaging as the ultimate solution the subordination of the Service Ministries to the central Ministry and a single list of ranks and a single uniform for officers at two-star level and above. This had been seen as too great a step to take at one go but the then Government had not taken the opportunity of saying that it would want to commit itself to that option as the ultimate goal.

5. CDS said that he himself was somewhat schizophrenic about change. The present organisation had both advantages and disadvantages. Moreover, there had been many efforts since Mountbatten to change and evolve the organisation, all of which had come to nought. He would therefore be reluctant to start all over again. On top of that, things were in a pretty good chaos, because of economic pressures, the cash limit régime and inadequate cash limits. MOD was now facing a reappraisal of strategic priorities, amounting to a Defence Review, aimed at reducing military effort while saying that it was expanding.

6. It was also the case that MOD had been under great pressure over the last five-ten years to reduce the size of HQ and that it had done so by 5-10% cuts and "salami slicing". If further economies were needed, they could only be achieved by major changes. And those changes were only achievable by external pressure and study. He did not believe them achievable by internal study because people were too busy to give it the attention it needed and because the forces of reaction were too strong. His own recipe for change, if further change was wanted, was accordingly:

- a. A clear-minded Secretary of State;
- b. A Permanent Secretary and CDS who would support him;



- c. An external agency to study and report to the S of S on desirable changes; and
  - d. A S of S who would be ruthless in making the agreed changes happen.
7. CDS then commented on the power of the "centre" and the COS system as follows.
8. The main instrument for the control of expenditure was the "target heading" system. The largest THs were those of the single Services. These were managed by the single Service Boards, which were sub-committees of the Defence Council. Information and therefore power lay with the single Services. The problem for the centre was that it could not operate, consider questions or make decisions unless it obtained information for which it had to rely on the single Service departments.
9. That led naturally to the position of each Chief of Staff. Each COS had probably the most difficult job in the military bureaucracy. He was at one and the same time the head of his Service, embracing everything from obtaining the correct weapon systems to the morale of the military, and a member of the COS Committee, which gave collective advice to Ministers. The convention was, and it was a powerful one, that the COS Committee should agree. Only if they disagreed did the CDS's terms of reference require him to give advice of his own, while reporting different points of view taken.
10. CDS said that he would not want to abolish the individual COSs, since one needed individual professional heads for the three individual Services. He would like:
- a. the COS Committee made much more advisory to the CDS, so that he would be responsible for consulting them, but not bound to report their views;



- b. each COS should retain his right of access to the S of S and the Prime Minister;
- c. therefore the CDS should have his own staff, who would work to him - he would need a row of Deputy CDSs, serving both the CDS and COS Committee, chiefly the CDS; and
- d. the CDS would have to have access to the staffs of the single Services. He would like to see adopted a tri-Service staff model like that of the Directorate-General of Intelligence. He thought that this would probably save several Vice-Chiefs and some of the two-star officers in each of the single Service staffs, as well as making for big savings lower down.

11. CDS observed in passing that one problem about re-organisation was that each of the three Service departments did things slightly differently and organised in a slightly different way. He himself thought some of the staffs were top heavy. Although the machine could be made to work well and was very responsive to a crisis, CDS thought that overall the organisation was too big, involved too much duplication, could be streamlined and made more efficient. His own rough estimate would be that a saving of 20% could be made in the staff effort. He emphasised, however, that he would see decentralisation to Command level as part of the programme of rationalisation.

#### Duplication between Military and Civil staffs

12. Lord Mountbatten had made the fundamental assumption that there would be a complete integration of Civil and Military staffs. This had not happened. There were two separate structures side by side. He himself believed that the organisation would be very much more effective if the existing model of integration to be found in certain parts of the Defence Secretariat (eg Divisions 11, 12 and 17 dealing with



overseas defence policy, NATO policy and Nuclear policy) were more widely adopted. One should envisage a set of completely mixed teams, each with the responsibility for supporting the S of S, Permanent Secretary and CDS.

13. CDS said that he and Sir Frank Cooper disagreed on this. Sir FC had convinced Mr Pym that he was right. He took the view that the Military had a professional function in MOD, while the Civil staffs gave independent advice to Ministers, specially on the policy implications of particular proposals. CDS did not accept this. Why should not one have a combined organisation, providing combined advice? He was already well content to have a Defence Policy Staff which was completely integrated reporting to him.

14. Sir FC argued that the CDS was responsible for advice on military and strategic matters, whereas he was responsible for political advice. CDS would be inclined to rewrite the terms of reference of himself and the Permanent Secretary. He did not believe that a Civil Permanent Secretary could be held responsible for ensuring that the S of S had adequate advice. He would accordingly like to see a study starting at the top with S of S, the one point at which everything was brought together in the MOD, and examining the roles of his principal advisers and analysing the type of organisation now needed.

15. In reply to a question from me, CDS said that one should not over-estimate the power of the single Service Boards. The Permanent Secretary had his man, the DUS, on each Board and controlling its Secretariat and affairs. For example, the DUS (Navy) was the natural successor to the Secretary to the Admiralty Board and therefore to Pepys. The function of the DUS had been rewritten as "PUS's spy", accountable to the Permanent Secretary for spending.



16. CDS said that he might well agree that the single Service Boards and single Service Ministers were anachronistic. What was certainly needed in each case was an Executive Management Board. These existed and operated in fact to a very substantial extent without the Minister's presence. Each EMB was chaired by the relevant COS.

What next?

17. CDS said that it would be untimely for any approach to the S of S, should one be contemplated by us, to be made this week. He thought that it would be very much more timely in six weeks time when present crises were out of the way. He was not sure that Mr Nott was all that keen on Rayner studies, but he was keen to do something about the organisation. CDS had already been asked by him to advise on reducing the size of the MOD.

18. I mentioned the possible relevance of the study of financial management. CDS said that the terms of reference had been broadly enough drawn for it to be very far-reaching in its effect.

19. CDS said at the end of the interview that one possible solution was that one could do without a CDS and rely upon the COS Committee, chaired in turn by each COS. He added that he would be very willing to talk to me again later if that would be helpful.

SP

C PRIESTLEY

13 February 1981





✓ MAD - Govt  
Mad

DEPARTMENT OF INDUSTRY  
ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 3301  
SWITCHBOARD 01-212 7676

PS/ *Secretary of State for Industry*

10 February 1981

Clive Whitmore Esq  
Principal Private Secretary  
10 Downing Street  
London SW1

*cc LPC office.*

*Dear Clive*

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY  
PROGRAMME 1981

... In response to your letter of 1 December, I am now  
enclosing my Secretary of State's proposal for  
the 1981 Scrutiny Programme, with apologies for  
being late.

*Yours ever*  
*Richard Riley*  
RICHARD RILEY  
Private Secretary





1981 RAYNER SCRUTINY - DEPARTMENT OF INDUSTRY

- (a) Subject: The organisation and staffing for determining the allocation of financial support for research, development and technology sponsored by the Department of Industry.

The Department spends about £200 million a year in support of research, development and technology, partly in its own industrial research establishments, partly in contributions to the European Space Agency Programme and partly in Industry. The machinery for allocating this expenditure includes the Requirements Boards set up to implement the recommendations of the Rothschild Report and the Department's Headquarters Divisions responsible for research and technology requirements and for the sponsorship of particular industries. These Divisions employ about 850 staff.

- (b) Cost: As indicated above, the Department's expenditure on research, development and technology is about £200 million per annum. The costs of the staff responsible for administering this expenditure, and who also discharge other duties in relation to the industries concerned, is about £10 million, excluding accommodation.
- (c) Reason for selection: Large sums of public money are involved both in terms of the actual expenditure on research and development and in the Headquarters organisation which supports this expenditure. The purpose of the review would be to determine whether the organisation and efficiency of the Department's arrangements for allocating financial support for research, development and technology could be improved. This would involve examining both the organisational machinery and the staffing of the Divisions concerned, including in particular the need for staff having scientific and technical qualifications, their role and the arrangements made for the provision of such staff, their career management and training.
- (d) Terms of reference: To review the Department's Headquarters organisation for allocating financial support for research, development and technology.
- (e) Proposed starting and finishing dates: It is expected that the review will start at the beginning of April 1981, and that the draft report will be available in July 1981.
- (f) Examining Officer and reporting arrangements: The review will be carried out by Mr Callum McCarthy, Assistant Secretary. He will report to Mr Tebbit, Minister of State, and will consult with the Permanent Secretary in designing, conducting and reporting on the study.



MR PATTISON

Prime Minister

Content that scrutinies in  
MAFF should go ahead  
as proposed by Derek  
Rayner?

Yes  
no

MAFF 1/2

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

Fisheries research

Mr Walker's Private Office wrote on 29 January with a new proposal for the 1981 scrutiny programme: fisheries research. Sir Derek Rayner thinks this is a good choice and, subject to the points below, recommends its acceptance. In view of his particular knowledge, and the obvious links to the service-wide review of supporting services in research establishments, it would be entirely appropriate for the Prime Minister to ask Sir Derek to associate himself with this scrutiny.

2. The points Sir Derek would wish to make on the proposal by Mr Walker's office are:

- a. The scrutiny should look at the need for government to be undertaking the work performed in the establishments as well as its efficiency and effectiveness.
- b. Account should be taken of work undertaken by outside bodies, including the new Sea Fish Industry Authority.
- c. Since fisheries research is conducted partly under English Ministers and partly under Scottish Ministers, the Scottish Ministers could usefully be invited to examine their fisheries research establishments also.

If the Prime Minister agrees to include fisheries research in the 1981 programme this office would be able to take these points up with the Ministers concerned if she so wished.

Forestry Commission

3. There is no proposal for a scrutiny in the Forestry Commission this year. The examination of the administration of grants to private woodlands in the 1980 round was successful and, although the Commission cannot always be expected to come up with a suitable topic, it would be surprising if the scope was already exhausted. If the Prime Minister agrees, Sir Derek would like to suggest to the Ministers concerned that a look be taken at the number of administrative tiers in the Commission. Informal evidence has suggested that those at the lowest (Forest) level may be widely dispersed and lightly loaded.

SP

C PRIESTLEY  
9 February 1981



Mr ALLEN

cc ✓ Mr Pattison MAA  
✓ Sir Derek Rayner\*  
Mr Wright

\* with copy of  
Mr Heseltine's minute

PROPERTY SERVICES AGENCY

1. Please have an early word with Mr Pattison about the handling of the attached curious minute from the SS/Environment to the Prime Minister. My own first thoughts are these.
2. The issues raised by Mr Heseltine affect other Ministers' interests and it would be best if they were exposed to comment by all those attending the PM's meeting on 18 February on repayment for property services, not dealt with privately at the end. BUT that meeting has been arranged to take the report on repayment and we should stick to that firmly, given that the subject has been delayed already - and by Mr Heseltine.
3. Repayment can be treated independently of the privatisation issue (p.2) which seems largely confined to PSA design and construction work. Repayment could be introduced before or in parallel with an examination of privatisation of such work.
4. The minute's references to the Civil Service and estate management (p. 2) are tendentious and unargued. I myself think that PSA staff, if properly trained and managed, can run the estate efficiently. The aim should be to get repayment on the road and then to consider (if we have to) how far the task of estate management can be
  - a. decentralised to large departments (eg DHSS, IR); and
  - b. privatised (not much, I guess).
5. We should agree that policy and financial management must stay with Government and build as much as possible on the logic of this as far as repayment goes.



6. The issues of size (p. 2) and machinery of government (p. 3) are linked, although I doubt whether the former is a real issue. Sir Derek Rayner has raised the MG issue, which is certainly real, several times in the past year by reference to a possible "Common Services Agency". His view is that the current division of central responsibility for common services is damaging to the effective management of resources, both by the centre and by departments. He has specifically asked, in recent papers, that this issue should not be abandoned. (Devising a sound "CSA" would, incidentally, be an excellent assignment for someone like a leading official, just retired or about to retire, and/or for Mr David Young.)

7. Mr Heseltine's references to "major office developments" (pp. 2 and 3) and to number of offices (p. 3) are also tendentious in part. Backguarding departments and wielding a bludgeon at the centre do not add up to good management, when there is more than one reasonable view of the value of capital investment in the office estate. There is a balance to be struck between securing economies by a centrally led initiative on the one hand and throwing babies out with bathwater and wounding their parents on the other.

8. So let us keep our eye on the repayment ball; get Mr Heseltine's other points into both focus and sequence; and decently consult with Treasury and CSD on the line to be taken on 19 February.

Sp

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C PRIESTLEY  
9 February 1981



Y SWYDDFA GYMREIG  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switsfwrdd)  
01-233 6106 (Llinell Union)

Oddi wrth Ysgrifennydd Gwladol Cymru



✓  
M

Govt  
Head

WELSH OFFICE  
GWYDYR HOUSE  
WHITEHALL LONDON SW1A 2ER  
Tel. 01-233 3000 (Switchboard)  
01-233 6106 (Direct Line)

From The Secretary of State for Wales

From the Private Secretary

6 February 1981

Dear Clive

EFFICIENCY IN CENTRAL GOVERNMENT: THE SCRUTINY PROGRAMME 1981

I have seen copies of the letters dated 21<sup>PE1</sup> and 26 January<sup>PE1</sup> to you from the Private Secretary to the Secretary of State for Education and Science about the scrutiny of Her Majesty's Inspectorate in England and Wales. He gave details of the breakdown of costs of HMI into five categories for England but for Wales said only that the total wages and salary cost was estimated at about £1m. I think you should have the same detail for Wales which is as follows:-

HM Inspectorate in Wales: 1980/81 estimate (rounded)

	£000
Wages and Salaries, etc	1072
Travelling, subsistence	168
Accommodation	73
Office services	10
Other services	16
	<hr/>
	1339
	<hr/>

The Office Services and Other Services figures are purely notional pro rata figures; the DES figures will have been compiled in the same way. The specific costs of the Inspectorate, as distinct from their share of general Departmental costs, therefore lie in the first two headings and to some degree in the third.

/I am

Clive Whitmore Esq  
Principal Private Secretary  
10 Downing Street  
London SW1





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

*John Craig*  
J F CRAIG  
Private Secretary

CONFIDENTIAL



CONFIDENTIAL



B.F. 13/2/81 ov  
When other  
comments are  
received

MAJ

PRIME MINISTER

PSA

I am to meet you shortly to discuss the issue of repayment of current costs by Departments to PSA. On that occasion, I would be grateful for a few minutes of your time to consider the wider issues of PSA as we have had one or two recent conversations without seeking to establish our objectives for this organisation.

The PSA was set up following reports by Tim Sainsbury and Herbert Cruickshank (ex Managing Director of Bovis) in 1972. Broadly they concluded that there would be economies if one central building and property management agency were responsible for the whole government estate, rather than having many organisations run by individual Departments.

On 1 October 1972, 47,000 staff (21,000 non industrial and 26,000 industrial) were thus taken in to the new PSA.

Under the Labour Government this 47,000 reduced to just under 40,000 when I took over. You are aware that I have increased the rate of run down and now we are at 35,400. My target is to get to 28,225 by 1984. In order to achieve this I now need to introduce compulsory redundancy as the rate of natural wastage has fallen markedly in the present climate. My objective is partly cost reduction and partly to switch work to the private sector.

It is possible to go faster but only at higher levels of redundancy which as you know increases short term expenditure for long term economies. But most of the work we do would in practice still be done but in the private sector.

I now set out the basic scale of the work we do.

#### Organisation

The HQ Directorates (in London and Croydon) are responsible for programming, financial control, most major works projects and specialised professional and technical services. But PSA is primarily a territorial organisation, with 80% of its staff working locally. It operates in every part of the UK, including Northern Ireland, and in 132 countries throughout the world in support of the FCO and the Armed Forces. There are ten UK Regions (including Scotland and Wales) and four overseas, of which Germany is much the biggest.

#### Scope and Scale

PSA is not solely concerned with the Government's civil estate. Over half of its work is in support of the Armed Forces at home and abroad, NATO and the United States Forces in the UK. I attach some facts and figures which illustrate the scale and variety of its operations.



## Allocation of Expenditure

We are shortly to discuss this with you as there are obvious attractions in involving Departments more directly in the cost of the services they consume. Derek Rayner has led the work here.

## Management Scrutiny

An organisation of this sort is particularly unsuited to be a Government Department. It is subject to all the problems of Parliamentary scrutiny and, in truth, building and estate management tasks are not best run by civil servants who have training and disciplines very different from the usual private sector management routine.

But it is not possible to escape the fact that much of the work must remain in the public sector and all the policy decisions and priorities are essentially for Ministers.

I take the view that we must move to the minimum use of civil servants for building, designing etc but I see no escape from the policy and financial management. It then remains only a question of speed of transition.

In order to give me the best outside advice and experience I have recruited a very good team under Nigel Mobbs. The full team is:

G N Mobbs, Chairman, Slough Estates Ltd  
R C Drake, Director Ford of Europe Incorporated  
B J Hill, Group Managing Director, Higgs and Hill Ltd  
D N Idris Pearce, Richard Ellis, Chartered Surveyors  
F C Graves, Francis C Graves & Partners, Chartered  
Quantity Surveyors  
F G Bennis, General Manager, National Westminster Bank Ltd  
N C Baker, Taylor Woodrow  
A W Cox, Architects' Co-Partnership Inc  
Professor E Happold, Buro Happold, Consulting Engineers  
J P D Heywood (Stockbroker, Lloyds, Farmer)  
Sir Geoffrey Wardale, ex-Permanent Secretary, DOE  
General Sir Patrick Howard-Dobson (retiring Vice-Chief of  
the Defence Staff)

It will not achieve miracles but it will bring a new impetus to what I am trying to do.

Is the Agency too big?

There are no absolute answers. Certainly it could be split up but I doubt if faster results would be obtained than we are achieving - or could if redundancy was speeded up - centrally.

Certainly to break up PSA into 20 or 30 units serving individual departments would take us straight into problems of overlapping organisations and duplicated commands and services.

There are some options.

Major Office Developments could go over to Departmental PESC allocations and not mine. In practice my guess is that this



would increase expenditure under this heading and not reduce it as there would be no bidding system as at present where Departments have to persuade PSA to provide funds. This year you will remember I cut the office provision by £19m and had to fight battles across Whitehall to get it through.

#### Number of Offices

We must get these down at least in line with falling manpower. I have circulated to Departments proposals for achieving such economies which would, over a period of several years, enable us to give up over 80 buildings at present occupied by London Headquarters staff. There is bound to be some resistance and I may in the end, if necessary, have to involve colleagues to get the right results. Nevertheless, even in the current financial year PSA is surrendering nearly 350,000 sq ft of office space in London. Left to themselves, Departments would not make such economies and I conclude that a properly motivated central Agency is therefore important.

#### PSA/DOE

There is no real link between the two. PSA could, like the Stationery Office, report to CSD. In many ways this would make sense as they are a central service. I am very happy with my responsibility but I must make the point that if it suited any policy purpose such a change could be made. But the issues I have raised will still remain.

I am copying this to Geoffrey Howe, Christopher Soames, Derek Rayner and Robert Armstrong.

*W.S.H.*

MH

- 6 FEB 81



PROPERTY SERVICES AGENCYSCALE OF OPERATIONS

PSA's main expenditure on works and related matters is divided among clients as follows :-

	<u>1980/81</u>
	£m
Defence	620
Civil Departments	480
Diplomatic	35
NATO/US	100
Post Office	100
Others	50

The main types of work are :

New works - the design (in-house or with consultants) and project management of major new works: offices, prisons, courts, museums, galleries, laboratories, special hospitals, Defence works (airfields, dockyards, barracks, radar installations, hospitals etc) £600m in 1980/81.

Maintenance - maintenance and operation of buildings, plant and machinery on the Civil and Defence estates and for other public sector clients and NATO/US Forces. £600m in 1980/81.

Estate Management - management of the Government estate, Crown-owned and leased, to meet the needs of Government Departments, including all types of land and property transaction and disposal of surplus assets. Rent Bill £165m in 1980/81. Management of the Defence estate, including training areas.

Supplies - supply of furniture and equipment, fuel and transport services. £212 in 1980/81.

The following figures give an indication of the scale of the Agency's current operations :

Major new works - 800 in construction, 1,400 pre-construction

Job orders (maintenance and minor works) about 1,800,000 a year.

Land transactions about 17,000 transactions a year - acquisitions, leases, rent reviews, disposals etc.

Disposals forecast receipts - from sale of surplus land and property 1980/81 Defence estate £60m, Civil estate £20m.

Holdings Civil estate 9,000; Diplomatic estate 1,380; Defence estate (UK) 3,700 establishments plus 90,000 married quarters and 280,000 hectares of land (one "holding" can comprise a number of buildings and one building may be occupied by several Departments).



C.F. B.F.

FOR FEB 18

MTG FOLDER

Govt Mark  
Rayner

MAJ  
9/2



Prime Minister

4.

This is another horror story -  
- especially the selected  
case histories appended.

Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000

4 February 1981

MAJ  
4/2

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

Dear Michael

mb

PSA SERVICES

As you know the Prime Minister is holding a meeting on 18 February to discuss the proposals that have been put forward to her by Derek Rayner in respect of a scheme of repayment for PSA Services. But I am concerned at the underlying question of PSA efficiency. The repayment proposals will not of themselves bring about improved efficiency, although I accept that they may, amongst other things, provide conditions which help with this - through, for instance, improved accounting and accountability. The measure of further untying that is contemplated might also help.

I know that running PSA, and particularly the works and other services which PSA supply, must be a very difficult management task. But, as I mentioned to you in the lobby on Thursday night, I am deeply disturbed at the stories of dissatisfaction which one hears. The latest of these - which is why I am writing to you - comes from the Royal Mint of which, as you know, I am the Master. The Royal Mint have provided me with the attached paper, on which I should value your comments.

It may be, of course, that the specific problems of the Mint could in part be met by untying that organisation from PSA, certainly so far as Services etc. go. I think this would be not outside what Derek Rayner's repayment proposals envisage? The Royal Mint is, after all a free-standing Trading Fund paying directly for the services it receives.

But what is much more disturbing is the thought that the Mint's experience might not be exceptional. I hope that when we meet on 18 February we can discuss this general question of PSA efficiency as well as the repayment proposals.

I am copying this letter and the attached note to the Prime Minister, Christopher Soames and Derek Rayner.

GEOFFREY HOWE

2  
Howe



## Provision of PSA Goods and Services

Since the establishment of the Royal Mint as a Trading Fund in 1975 the relationship with PSA has been governed by two factors. First, while fixed assets in the form of land and buildings are shown in the Royal Mint balance sheet, and new land or buildings are paid for by the Royal Mint, all such land and buildings are held 'on trust' by the PSA. Second, the Royal Mint is obliged to use PSA, on a repayment basis, for all but the most minor building works.

2. Under these arrangements there is a division of responsibility between the Royal Mint and PSA for the overall management of land and buildings. This note compares the arrangements for the supply of goods and services by, on the one hand, private sector suppliers and on the other hand by PSA. The comparison is made under the five headings commonly used for the consideration and management of new investments, namely, specification, tenders, price, delivery and performance.

### Specification

3. The specification issued to a private sector supplier for, say, a machine tool, is the responsibility of the Royal Mint. Quite often a potential supplier will seek to influence the specification and his views may be heeded, but in the final resort the Royal Mint is responsible for the specification.

4. In the case of an order placed through PSA, although the Royal Mint is required to raise a requirement for work to be done, the detailed specifications are usually imposed by PSA. In some instances this leads to a level of engineering and cost which the Royal Mint regards as excessive but which has to be accepted since the standards applied are PSA's not the Royal Mint's. In other instances PSA imposes standards (and therefore costs) which are considered to be excessive in relation to outside practice. In either instance the Mint finds itself financially responsible for works which



it regards as 'over engineered' and unreasonably costly.  
(Exhibits A, B and C)

#### Tenders

5. Tenders issued by the Royal Mint to private sector suppliers are issued to a selection of potential suppliers who are required to respond with quotations within a stipulated period or lose the opportunity of gaining the contract.

6. In PSA terms the equivalent to a tender is a request for works to be put in hand and these are submitted usually with an indication of the required completion date. However, the processing of requests for work is subject to priorities within PSA and, therefore, can and has been subject to delays. (Exhibit D). Thus the Mint, though paying for the work to be done, is not able to control directly (as paymaster) the pace of progress.

#### Price

7. Once the Royal Mint has agreed a price with a private sector supplier, the Mint's financial commitment is either strictly limited or elastic within limits which are commercially acceptable. Certain costs may be quoted in relation to the pricing for a commodity market (e.g. the London Metal Exchange) and there may be provision for strictly controlled cost escalation, but the extent of possible cost escalation is known and taken into account before the contract is placed.

8. PSA normally puts a job out to tender and then seeks the Royal Mint's financial authority to go ahead with the tender selected by PSA. At this stage it is possible to query the quoted cost, although experience shows that such a step is likely to lead to serious delays. Once financial approval has been given the Royal Mint is required to sign a document (Exhibit E) which admits liability for whatever may be the actual cost of the job. Thus the Mint is obliged to take an open position on a contract over which it has no direct control and such costs can escalate very considerably. (Exhibit A).



### Delivery

9. The Mint's procurement contracts with the private sector normally include a date for delivery or completion and, if considered necessary, penalty clauses are inserted to ensure compensation for failure to complete or deliver on time. Of even greater importance is the supplier's knowledge that failure to deliver or to complete on time will be taken into account when future business is on offer.

10. PSA's contracts on sub-contractors may include a delivery or completion date but normally no date is given by PSA to the Royal Mint and substantial delays can occur without apparent regard to the financial consequences to the Mint.

### Performance

11. It is common Royal Mint practice to build performance guarantees into a contract with a private sector supplier and failure by the supplier to satisfy performance criteria can lead to a claim for compensation. In 1976 the Royal Mint obtained substantial compensation from a supplier who failed to perform in accordance with the contract. The supplier is also motivated by the fact that if he does not perform well this will prejudice his chances of obtaining future business.

12. There is no financial sanction against PSA should there be delays and there is clearly no commercial sanction so far as the availability of future business is concerned.

### The Royal Mint as a supplier

Four of the foregoing points, specification, price, delivery and performance apply to the Royal Mint as a supplier to foreign governments, to the public and to HMG in respect of the U.K. coinage. So far as the latter is concerned, the Royal Mint is obliged to carry any over runs on the cost of manufacture, and the financial impact of any significant shortfall in the Royal Mint's forecast of U.K. coin demand for the year has to be absorbed by the Royal Mint. Any coins that fail to satisfy the required physical specifications (which are usually very tight) have to be written off at Royal Mint's expense; the commercial consequences of a failure to supply in the quantity required or by the date



specified are clear.

SUMMARY

In letting work through PSA the Royal Mint has

- a) no control over the speed at which a contract will be placed,
- b) no direct control over the contractor,
- c) no control over final cost,
- d) to meet stage payment invoices as and when they occur without:
  - (i) any prior knowledge that a stage payment system has been agreed between PSA and the sub-contractor,
  - (ii) without any reference on the invoice to the work for which the payment is being made,
- and e) no control over completion date.



In January 1980 the Royal Mint advised PSA that a reorganisation of facilities was required in the Coining Press Room and they were asked to quote against a Mint drawing.

In February PSA submitted a cost estimate of £117,000 inclusive of VAT and M & E and submitted a Financial Authorisation form which was duly signed by the Mint.

In April PSA advised that "after further detailed planning" the cost estimate had been increased to £157,000 excluding VAT and M & E.

Then in June a new Financial Authorisation form was submitted by PSA for £142,000 excluding VAT and M & E, the reduction in the April figure resulting from discussions between the Royal Mint and PSA.

In August PSA further revised the estimate of cost to £197,000 exclusive of VAT and M & E.

At that time M & E costs were estimated to be £40,000 and therefore the revised cost was actually £272,000 (£197,000 + £40,000 + 15% VAT) or an increase of £155,000 (130%) over the original estimate.

At this point PSA were advised that the estimated cost of the scheme made it no longer viable and were instructed to undertake no further work on the project.

PSA subsequently advised that the costs incurred by them on the project were £19,000 which would have to be recovered from the Mint.



Late in 1976 a requirement arose to provide a canopy as an extension to an existing building and in February 1977 the Mint formally requested that PSA put this work in hand.

In March PSA responded to advise that the cost would be £9,000 (including M & E) but since this figure was considered by the Mint to be high, meetings were held and in August a figure of £8,125 (including M & E) was agreed by PSA and in September the Mint gave PSA authority to proceed.

One year later PSA advise that the final measured costs were £15,500 but this figure was subsequently increased to £20,047, an increase against the original estimate of some £12,000 (or 150%).

PSA's explanation for this increase was "original underestimate and high cost of steel", but in the Mint's view the structure was over-engineered and this accounted for the increase in cost.



EXHIBIT C

FIRE SAFETY RECOMMENDATIONS - LONDON OFFICE

The Mint's London office moved to new premises in June 1979 and in their pre-occupation appraisal PSA indicated that certain works would be required to bring the building up to the mark from a fire safety point of view.

PSA's subsequent recommendations in this respect included some structural modifications in the basement involving the bricking up of certain doors and the breaking through of walls to form new doorways.

The GLC were then invited to advise on the works required before they would issue a fire certificate and none of the structural works specified by PSA were required by the GLC.



Minor modifications were required to a small (3 metres square) basement room to make it suitable to house the switchgear of a new PABX system.

The Post Office plan detailing the required modifications was passed to PSA on 19th June 1980 with a request that the work be carried out expeditiously as the equipment was already available to be installed.

PSA's drawing for the work was submitted to the Mint on 26th July and approval given by the Mint on 31st July but from that date there was no progress for many weeks despite repeated enquiries by the Mint.

On 17th September the Mint were advised by the Post Office that if an installation date could not be given the PABX equipment would be used elsewhere and the availability of replacement equipment was uncertain. Against this advice the Mint again sought the completion date from PSA and when one could not be obtained the Mint invited three private builders to quote for the work (17th September). Tenders were submitted and a builder selected on 21st September and the works were completed by 5th October.



DOE PROPERTY SERVICES AGENCY  
REPAIRS SERVICE FOR ROYAL MINT  
FINANCIAL AUTHORITY

EXHIBIT E

FINANCE BRANCH  
ROYAL MINT  
LLANTRISANT

CLIENT'S REFERENCE: \_\_\_\_\_

PSA REFERENCE: \_\_\_\_\_

The Property Services Agency is prepared to carry out the following work at the estimated cost shown below:

DESCRIPTION OF WORK

ESTIMATE OF COST

The estimated cost of works services in respect of the above requirement, inclusive of VAT and Departmental Expenses is £

Please complete and return one copy of this form as soon as possible.

SIGNATURE.....

District Works Officer

Property Services Agency  
14 Curran Road  
Cardiff, CF1 5DF

Date .....

TO BE COMPLETED BY CLIENT

The above estimate is approved and authority is given to proceed with the work. The Royal Mint undertakes to pay the actual cost (including departmental expenses) however different this may be from the estimate given, as soon as the account is rendered.

SIGNATURE .....

POSITION .....

Date .....



Mr PATTISON

✓  
MAD



cc Mr Buckley  
Mr Colman  
Mr Wright

THE SCRUTINY PROGRAMME 1981

Thank you for your minute of yesterday. The answer to the question you pose is, 'Yes'.

CP

C PRIESTLEY  
3 February 1981

CONQUEROR  
LONDON



CONFIDENTIAL

Mr Pattison

HW ✓ JAW  
3i Mr Priestley's single-handed  
assault on MOD continues.

MPD  
3/20

FINANCIAL MANAGEMENT IN MOD

1. In my minute of 5 January, I referred to and sent you a copy of an article by Colonel Walden, RM, on the higher organisation of defence.
2. I discussed the article with Colonel Walden on 20 January and you may like to have the enclosed note, which I agreed with him. I assured him that the use of this note would be confined to the Prime Minister's Office.
3. Colonel Walden struck me as a very able and impressive officer, an impression much confirmed in my mind by what he said at the end of our interview, as reported in paragraph 14 of the note.
4. Colonel Walden very properly informed the Chief of the Defence Staff that he was coming to see me. I then had a very friendly and helpful call from the CDS's Principal Staff Officer, who said that the CDS himself would be willing to talk to me about the matters touched on in his own and Colonel Walden's articles. I am seeing CDS on 12 February.

*G*  
C PRIESTLEY  
2 February 1981

Enc: Note of a talk with Colonel Walden



"THE HIGHER ORGANISATION OF DEFENCE" (RUSI JOURNAL DECEMBER 1980)

1. The author of this article, Lt Col I M Walden, MBE, RM, called on me at my invitation to discuss it on 20 January.

2. Col Walden is a GSO I (Major, local Lt Col) with the function of Assistant Director of Defence Operations (Exercise Co-ordination Staff) on the Defence Staff. He heads an organisation consisting of a Lt Cdr, RN; two Majors, Army; and a Sqdn Leader, RAF. Until recently he has also had a Lieutenant Colonel. The staff deals with exercises inside and outside the NATO area.

3. This is Col Walden's second tour of duty in the MOD. He was first on the staff of the Commandant General, RM, forming part of the Naval Staff, for 2½ years. This second tour, also of 2½ years, will end in March when he reverts to his substantive rank of Major and becomes second in command of the RM Unit at Hamworthy. Col Walden was at pains to base his observations on these two experiences and on those of colleagues, whether serving in the "Purple Staff" (the Central Staffs) or in the Service Departments.

Reasons for writing the article

4. Col Walden's article is critical of aspects of the present defence organisation and proposes that the power etc of the Centre should be enhanced at the expense of the Service Departments; that the autonomous and duplicating role of some of the Civil Service elements of the MOD needs examining; and that the structure of UK military Commands needs rationalising.

5. Col Walden said that he had written the article early last year because he had then had time on his hands and felt frustrated by the illogicality of defence organisation. His Branch



had led last year on certain of the short-term economies required, notably the Fuel Savings Study (and was now revising the programme of exercises). This experience showed once again the strong tendency of the organisation to defend particular interests from within insular positions rather than to work for the interest of defence as a whole. On both his tours in MOD he had found the organisation amorphous and difficult to work with. But it was worse this time round since the Central Staff had all sorts of responsibility without authority. Since the centre lacked financial authority, it could not make decisions without the agreement of the single Services. Although therefore the centre was supposed to represent the national defence interest it could make little headway without carrying along particular interests.

6. Asked how extensive such feelings were among serving officers, Col Walden said that he thought there was a genuine feeling of disquiet among them but he had had the luxury of thinking about the issues, whereas most of his colleagues had very little time to think. Apart from that there was a strong desire to avoid embarrassing those representing different interests inside the MOD; the stock phrase was that, rather than take the fundamental issues head on, there were "better things for people to do". But he emphasised that his solutions were not those which all his colleagues would subscribe to.

7. Asked whether, despite its defects, the Defence organisation was none the less convenient, Col Walden said that he thought this to a degree a matter of semantics. The present organisation was what people knew; they had no knowledge of anything different. He worked in a small Branch, leading three Service officers. Ordinary mundane things like claim forms were produced and operated quite differently, which he thought symptomatic of needless variance: things common to all three Services were done differently because of their different traditions. An example on the civil side was the preservation of different registries.



8. On the Service side, there was a principle of operation which he thought particularly arrant nonsense, namely that there should be a single line, within the same Service, between the top officer at HQ and the front line. This was merely a comfortable way of explaining the present system whereas experience showed, as quoted in the article (Le Fanu and Mountbatten), that multi-Service commands could be made to work well. The reality was that people liked things as they were, even though very muddling, and it would take a lot of energy to get things done differently.

Better models of organisation and the need for change

9. Asked about models of organisation that appeared to work well at the moment, Col Walden cited two. One was Defence Secretariat Branch 6, <sup>one of</sup> the operational Secretariats serving the Army Department. For several years this had included military officers working as civil servants; he was not aware that they had had any problem in advising Ministers in a purely "Civil Service" capacity. Another model was personnel work in the Navy Department where the Naval branches were advisory to the civil servants.

10. Asked about examples of the scope for a better deployment of civil staff, Col Walden cited a two-star meeting that day of the Defence Exercise Co-ordinating Committee, to decide in the light of the reduced budget for 1981-82 to what extent the UK should continue to share as planned in several NATO exercises. The meeting had been attended by the representatives of four two-star officers and of an Under Secretary from the centre. There had had to be a committee meeting because of legitimately different interests, but it was dealing with a single issue and all present had been briefed by their own staffs, drawing on departmental policies. He himself thought it would be greatly preferable for one person to decide the issue, taking such advice as he needed along the way.



11. Commenting more generally on the phenomenon of "copious briefing" Col Walden said that the pattern (for example in relation to the Fuel exercise) was "endlessly arguing one's corner at endless meetings". Another defect of the multi-organisation was the difficulty in taking decisions quickly in an organisation geared to take slow rather than fast decisions.

12. Asked how important he considered the availability of postings in MOD as part of the career pattern at a time of contraction, Col Walden said that this was not a problem at his level although he could see that it might be higher up. He and his colleagues were as embarrassed as anyone else by the large number of senior officers in MOD. Although he could not put his finger on it, he was sure that there were posts which were spurious.

#### The Fuel Savings Study

13. Asked about the relevance of this exercise to his arguments, Col Walden said that he thought it a typical example of how the organisation put the centre "on a hiding to nothing". In all economy exercises, there were two conflicting arguments. First, there was the so-called "salami slice" proposition, under which each Service took one third of any cut in prospect. That was the course most likely to get agreement. On the other hand there was the argument that that approach could cause an unfairly differing amount of pain. The Navy had huge reserves of fuel, whereas the Army was not fuel-intensive. So the general approach had shifted from argument to one of "sharing the misery". All the discussions held were subjective. Although this did not strain personal relationships between individuals, the organisation found it very difficult to cope with issues of this kind simply because of the need to reach an acceptable compromise rather than the "right" decision.



Reform

14. Asked what he would do if he had an opportunity to reform the organisation and, in particular, where he would start if he were told that he must prove himself by tackling one of the more mundane issues first, Col Walden said that there would be no sense in trying to make low level reforms. The only thing to do was to start at the top and work down, since some very considerable change in the structure was necessary. The reform he would do first would be to take from the single Service departments and place with the centre a large slice of their financial responsibility.

SP

C PRIESTLEY

26 January 1981





✓ MR  
MINISTRY OF DEFENCE  
MAIN BUILDING WHITEHALL LONDON SW1  
Telephone 01-~~930 7022~~ 218 2111/3

MO 8/2/12

2nd February 1981

Dear Tim,

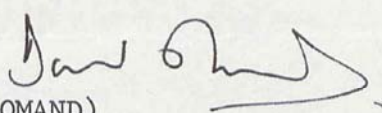
FINANCIAL MANAGEMENT IN THE MINISTRY OF DEFENCE

Thank you for your letter of 12th January.

The study team is now at work and two accountants from A Andersen's have been brought in. Mr Nott agrees that the advice of Sir Derek Rayner will be valuable and arrangements will be made accordingly.

I can confirm that the second study of financial responsibility and accountability will be thorough. It will cover the financial responsibilities and arrangements for the whole Department.

I am sending copies of this letter to the recipients of yours.

Yours ever,  
  
(D B OMAND)

T P Lankester Esq



PART 7 ends:-

MAP to Pristley 2.2.81

PART 8 begins:-

MOD to TL 2.2.81