



PRIME MINISTER

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES 1983

I have been considering what practical proposals to put forward for centrally co-ordinated efficiency exercises in 1983 to support our policy to improve Civil Service efficiency. Subject to your views I should like to minute you along the lines of the attached draft - copied to colleagues - seeking support for the programme described in detail in the enclosed paper.

2. I have consulted the Chancellor of the Exchequer, the Chief Secretary, and Sir Derek Rayner who support the scope and thrust of what is proposed. The work consists of:

- Action to implement past work (particularly multi-department reviews).
- Up to 30 departmental scrutinies (covering the efficiency of policy work, efficiency in selected non-departmental public bodies, as well as 'traditional' scrutinies of procedures).
- Three multi-department reviews (of departments' internal consultancy, inspection and review capabilities; of support services for administration; and of procurement and contract procedures).
- Further effectiveness reviews of specific functions such as stocktaking.

3. The programme will show that we are maintaining our commitment to action to put things right in the Civil Service. There is about the same amount of work as in the 1982 programme which had:

- 27 scrutinies (of which 12 have reported, with potential savings of £20m a year. The remainder, except for 2, are well underway.)
- 6 reviews of large executive units (the largest two of which - the Prison Service and RAF support - have completed first stage reports identifying scope for large improvements in management and both of which have now moved into a second phase.)
- 6 reviews of how departments control their running costs (for which the central report will come to you by around the end of the year).

- 9 reviews of personnel work in the Civil Service (central report due about Easter).

4. There may be some colleagues who will feel that we have done enough for the time being and that the emphasis now should be wholly on implementation. I do not agree. After all we have done, the scrutinies and reviews still turn up examples of waste on a worrying scale. It is true that we need to implement our findings. But I believe that we should not regard this as a substitute for pushing for further improvements. I also judge that implementation would be more difficult if there were a significant slowing of momentum.

5. Departments have been consulted at official level on the 1983 programme. Our proposals have been modified in the light of their comments and I am confident that they will win the support of our colleagues.

6. May I have your agreement to proceed, please?

7. I am copying this minute and attachments to the Chancellor of the Exchequer, the Chief Secretary, the Minister of State (Commons), HM Treasury, and Sir Derek Rayner.

Tarvit Young

BARONESS YOUNG

23 November 1982

PRIME MINISTER

Attached is a minute from the Lord Privy Seal based on work done by the Rayner Unit on next year's centrally co-ordinated exercises. I am advised by the Rayner Unit that the programme is quite ambitious but that initial reaction at official level in Departments is promising. For the future they suggest that you will need to consider at some stage in 1983 how best to build "Raynerism" into the machinery permanently and how best to absorb the lessons of the last three years. For the present, however, they recommend that the Lord Privy Seal's proposals should be implemented.

Agree to authorise the Lord Privy Seal to minute you as at Flag A?

Yes
mt

TF.

24 November 1982

DRAFT MINUTE FROM THE LORD PRIVY SEAL TO:-

PRIME MINISTER

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES 1983

We said in the White Paper "Efficiency and Effectiveness in the Civil Service" that we regard good management throughout the whole Civil Service as a policy in its own right and that the task of securing greater efficiency and effectiveness is a continuous one.

2. I have therefore been considering what programme of centrally co-ordinated exercises we need for 1983 to help give practical effect to our intentions. The attached paper sets out in detail what I have in mind.

3. Our work must take into account the efforts departments are making on their own account to improve performance as well as the substantial work now in hand to implement the findings of earlier scrutinies and the reviews of forms and supporting services in R & D establishments. It must also take into account the follow up to this year's scrutinies, the multi-departmental reviews of departmental running costs, resource control in large executive units, and personnel work and the work still continuing on the Financial Management Initiative.

4. I have sought to formulate a programme for next year which makes allowances for the resources needed for turning these reports into action. I intend to put some of my own resources into helping departments implement this work.

5. But we still have much to do. Implementation of past reviews is not a substitute for further improvements. We cannot afford to lose momentum if we are to show that we are still committed to greater efficiency in the Civil Service.

6. Thus, I propose a programme of new work for 1983 which would make further use of the proven techniques of scrutiny and review. It would entail:

- (1) Up to 30 departmental scrutinies. The subjects would need to be chosen carefully. I have identified some particular areas which should be addressed (Annex B of the paper). Some scrutinies should apply the technique successfully used in the resource control reviews to other similar Government operations. And I would also like to see the rigour of the scrutiny technique used to look at departmental policy making and to examine some non-departmental public bodies. Individual scrutinies would start at appropriate dates through the year, chosen by the Ministers responsible.
- (2) A multi-departmental review of departments' internal consultancy, inspection and review capabilities. The review will examine management services, staff inspection, and other assignment forces used by Ministers and their Permanent Secretaries to monitor the performance of line managers. A sound capability of this type is an important requirement for successfully delegating responsibilities to line managers. The work would start in May. Departmental reports would be presented by the end of the year and the central report up to three months later.
- (3) A multi-department review of support services for administrative work. This would look at why and how information is handled and used within administrative operations. It would be aimed at cutting down the flow of paper and helping departments make the best use of information technology. The aim would be to start work in January/February, with departmental reports completed by July/August and the central report by October/November.

(4) A multi-departmental review of procurement and contract procedures. Evidence from earlier scrutinies and reviews has shown that not all these procedures are as flexible, quick or economical as they should be. A review would take a hard look at over-ambitious specification of standards and at unnecessary hurdles in the way of local discretion. Work would start around May with Departmental reports due by the end of the year and the central report up to 3 months later.

(5) A further programme of effectiveness reviews of specific functions such as stocktaking. This type of review has achieved savings worth £21m a year since 1980.

7. Each of the multi-department reviews would involve linked studies in 5-8 departments. As in previous years, they would be co-ordinated by a small central team located in the MPO. The departmental teams would report to individual departmental Ministers with proposals for action within the department. The central team would report to you and to me on the general and service-wide implications of the departmental findings.

8. There has been extensive consultation with departments at official level. The proposals have been modified in the light of comments received and I am confident that they should have the support of our colleagues.

9. Subject to your agreement, and any comments from colleagues, I propose to announce the details of the programme as early as possible in December. This will show Parliament, and the country generally, that we are set to keep on delivering success from our policy of good management.

10. I am copying this to Cabinet colleagues and to Sir Robert Armstrong.

CENTRALLY CO-ORDINATED EFFICIENCY EXERCISES IN 1983

Most of the work to improve efficiency and effectiveness is done in departments by departments. Departments already have a substantial load of work in hand or in view for 1983, including both the implementation of past and current exercises and new work, not least that arising from the Financial Management Initiative.

2. The following programme is proposed among other things to reinforce the Government's drive for better management, recently confirmed in its White Paper Efficiency and Effectiveness in the Civil Service (Cmd. 8616), by applying the well-tried scrutiny technique* to relevant parts of it.

3. What is envisaged is further work to secure implementation of scrutinies and reviews, up to 30 departmental scrutinies, three multi-department reviews, and a continued programme of effectiveness reviews. The total requirement for new studies in all departments is estimated as no more, and probably rather less, than in 1982.

Implementation work

4. Departments are already engaged in implementing previous years' scrutinies and reviews. The MPO is assisting

* Annex A1, summarises the results as at November 1982; A2 lists the centrally co-ordinated exercises conducted in 1982.

with a central Forms Unit and with follow-up to the 1981 R&D Study. (The CSO provides central assistance on the 1980 Statistics Review). This work will continue into 1983. Additionally, the MPO and Treasury will be involved in assessing departments' financial management plans and in securing practical action to make a reality of the Financial Management Initiative. The MPO will also be heavily concerned with the implementation of the recommendations from the Review of Personnel Work and the Running Costs Review. Resources will also go into the implementation of scrutinies and Resource Control Reviews.

Departmental scrutinies

5. Some departments will already have topics in mind; others may wish to consider the areas suggested in Annex B.

6. The estimated bill for running the government machine (including the Armed Forces) in 1981-82 was about £14 billion compared with total public expenditure of about £105 billion. Greater economies and increases in efficiency have been made in the civil service than in some other parts of the public sector. The Government expects the same cost-consciousness throughout the public services. Departmental Ministers may therefore wish to use the scrutiny technique more widely:

- (1) To review some policies or programme expenditures, either in terms of the methods used in making policies and formulating expenditures or in terms of their feasibility, coherence, results and value for money as shown by the examination of their practical implementation. (This would accord with Sir Derek Rayner's view that scrutinies should render the PAR approach unnecessary and with the fact that some of the most successful scrutinies have tackled policy questions lying behind administrative arrangements.)

- (2) To review the efficiency and value for money of selected Non-Departmental Public Bodies. (Scrutinies would fit well with "Pliatzky" reviews, so bodies due for such reviews in 1983 would be especially strong candidates.)

Multi-department reviews

7. The reviews of Government Statistical Services, Administrative Forms and Support Services for R&D have shown the value of a centrally co-ordinated series of departmental reviews of a single function or topic. We expect similar results from the reviews of departmental running costs and of personnel work this year. We propose that there should be three multi-department reviews in 1983, each in about six departments.

8. The subjects proposed below arise from the findings of studies in particular departments which have suggested that a wider examination would produce good results. Others are intended to promote longer term aims and to provide for the follow-up to other programmes of work, notably the Financial Management Initiative. Where possible the work would build on earlier departmental studies:

(1) Internal Consultancy, Inspection and Review Capabilities (more details in Annex C)

The review stands on its own feet but has been designed with an eye to the follow-up to the FMI. It would cover the quality of the arrangements available to Ministers and top management to encourage and keep a check on the efficiency and effectiveness of line management. The confidence of departments in these arrangements is an important pre-condition for greater delegation of authority.

(2) Support Services for Administrative work (more details in Annex D)

The review would cover the handling of information for selected policies and operations within departments. It would concentrate on existing paper-based arrangements (eg the generation of paper, typing, storage, retrieval) to identify their costs and the scope for streamlining procedures and organisation, improving effectiveness and increasing job satisfaction and commitment. It would also provide an informed basis on which to step up the effective use of information technology.

(3) Procurement and contract procedures
(more details in Annex E)

The review would cover the procedures for procurement and contracts from the drawing up of the specification to the acceptance, and final payment on the delivered product or service. It would cover both contracts with the private sector and repayment between departments.

Effectiveness reviews

9. The intensive fieldwork on the use of common services carried out jointly by MPO and departmental staff has produced, first, substantial savings and, secondly, four "management guidelines" setting appropriate standards of performance in respect of messenger, transport and typing services and telecommunications. These standards can be used by service managers both directly and in support of the annual scrutiny of departmental running costs. They also enable more senior staff to question and evaluate the performance of their commands.

10. We propose to continue the programme, directly and through the other exercises outlined above as opportunities occur. The work planned for 1983 includes reprographics, micrographics, authorising levels (relevant to the review of contract procedures), stock-taking, productivity schemes and the use made of accommodation.

11. We also propose a small programme of selective review. In order to check on the practical application of the management guidelines already issued and to realise the full value of the methods, we need to find out how they have been put into effect. However, review will be two-way. We wish to know whether departments' managers have been and are applying the guidelines; departments will no doubt wish to feed back their experience and suggest improvements.

Conclusions

12. We propose a programme of efficiency work for 1983 which allows for the implementation of results outstanding from previous years' work and links to the Financial Management Initiative as appropriate. The new work consists of:

- (1) A programme of up to 30 scrutinies significant in terms of the activities and resources of the department, possible including scrutinies of policy questions and of non-departmental public bodies;
- (2) 3 multi-department reviews; and
- (3) a continuing programme of effectiveness reviews.

Management and Personnel Office
19 November 1982

SCRUTINY AND MULTIDEPARTMENTAL REVIEWS 1979-821. 1979-81 *

	Number of Reviews	Cost	Value of Potential Savings
Rayner projects 1979	29	£0.3m	£67m pa + £28m once-for-all
Scrutiny programme 1980	39	£0.7m	£128m pa
Review of Government Statistical Services 1980	19	£0.3m	£17m pa
Scrutiny programme 1981	40	£1.2m	£64m pa + £2.5m once-for-all
Review of Administrative Forms 1981	9	£0.25m	Quantified saving of £0.3m pa already agreed; further savings in processing forms of many times this will also be achieved
Review of R & D Support Services 1981	7	£0.35m	£15m pa + £7m once-for-all

SUMMARY OF CENTRALLY CO-ORDINATED EXERCISES, 1982

<u>Review</u>	<u>Date of Reports</u>	<u>Departments directly involved</u>
Departmental Scrutinies	By end-1982	Most
Resource Control Reviews	First phase completed by end-1982	MOD, PSA, Trade, HO, SO, Royal Mint
Running Cost Reviews	Departmental reports in by end-1982; central report now well advanced.	FCO, MPO, Trade, DEm, DES, DEn
Review of Personnel Work	Departmental reports by end-1982. Central report Easter 1983	HO, LCD, MAFF, DEm, DHSS, C&E, IR, PSA, SO
Financial Management Initiative	Departments submit programmes of work by end-January 1983	All

POSSIBLE AREAS FOR SCRUTINIES

Departments may wish to consider one or more of the following areas for a scrutiny in 1983. The aim is to pick operations or areas which use substantial resources and which are generally significant in terms of the character and activities of the department. It is also desirable to select subjects, work on which will promote the Government's longer-term aims for management. The evidence of past scrutinies and other studies suggests that areas which might be strong candidates include:

- (1) The question whether the policy processes used by a department are such as to provide Ministers with the right material at the right time on which to take decisions and with adequate information and methods on which to assess the cost-effectiveness of the action taken.
- (2) Large executive operations which are relatively self-contained. This year's "resource control" reviews and the multi-departmental review of R&D support services have demonstrated the value of the technique. (More than one examining officer may be necessary for such scrutinies.)
- (3) Areas of work involving specialist groups (eg assignment staff, lawyers, accountants).

(4) The arrangements by which advice, information and help are provided to the public and outside bodies (eg the preparation and publication of advice: leaflets, articles, films, advice and information provided by visits).

(5) Administrative tribunals (eg appeals boards).

INTERNAL CONSULTANCY, INSPECTION AND REVIEW CAPABILITIES

The first element of the proposed programme for next year refers to the central coordination of follow-up work on the Financial Management Initiative, and on the 1982 reviews of running costs control and personnel work. These exercises are already pointing towards changes in the relationship between the central staffs of PEOs and PFOs in Departments, and line managers.

2 A 1983 review of internal consultancy, inspection and review (CIR) capabilities will consider the implications of greater delegation to line managers for such capabilities as they exist now in Departments. These capabilities include management services, staff inspection, organisation and methods, and some aspects of central ADP and specialist advisory functions, such as operational research. It has been estimated that such activities together employ over 3000 officials at present. In addition there are the ad hoc capabilities provided by the Rayner scrutiny approach, and by policy reviews of various kinds.

3 The review will focus on the articulation of these various capabilities, one to another, in relation to meeting each Department's needs for:

- (1) Consultancy services available to help line managers
- (2) Monitoring, inspection and audit capabilities as "arm's length" controls over delegated management for Heads of Departments and PEOs/PFOs
- (3) Reviewing and monitoring the execution of policy and the management of programmes
- (4) Promoting particular managerial practices and developments - as for example in information technology.

4 For each of these needs the review will consider:

- (1) The way in which Departments plan and deploy their various review capabilities together and separately, having regard especially to duplication or gaps in the selection and coverage of subjects for review.

- (2) The way in which action is triggered in relation to particular line management commands and to particular programmes.
- (3) The accountability, mandate and degree of independence appropriate to meeting each need; the process by which decisions are taken on the nature of conclusions and recommendations; to whom results are reported
- (4) The allocation of responsibilities for accepting or rejecting conclusions and recommendations, for securing their implementation, and for communicating general lessons.

5 The review will consider the effectiveness and resourcing of the various capabilities as follows:

- (1) On effectiveness, the review will cover, for example, the quality and levels of assignment undertaken; the scope, perspective and methods of investigation, and the criteria applied in evaluating areas under study; and the success in achieving implementation
- (2) On resourcing, the review will cover, for example, the organisation and internal management of the capability; its staffing, including the means by which staff are selected, trained, career managed and motivated; and in relation particularly to consultancy capabilities, the validity and practicality of repayment.

(Action has recently been taken across the Service to raise the standards of staff inspection in accordance with common criteria and the review will not re-examine that development.)

6 The review will not include the function of internal audit, which is the subject of a separate programme of improvement. It will however consider under paragraph 4(1) above the relationship between internal audit and the capabilities under review.

7 The review will then draw conclusions about:

- (1) The relationships between each capability and: line managers; programme managers; the processes of resource allocation (budgeting, complementing etc); senior managers, the Head of Department, and Ministers; and other separate but related CIR capabilities.

- (2) The posture which each capability should look to be in, to accommodate and promote the developments arising from the Financial Management Initiative
- (3) The scope accordingly for merging and/or redefining some or all of what are at present separate capabilities
- (4) The policies to be followed to ensure that retained capabilities are effective and properly resourced, having regard to the Financial Management Initiative, to the policies already being pursued in the case of staff inspection and internal audit, and to the findings of the 1982 multi-department review of personnel work
- (5) The relationships between local and central capabilities within Departments; and between such capabilities in Departments and in the central Departments.

SUPPORTING SERVICES FOR ADMINISTRATIVE WORK

The review of Administrative Forms opened up for examination how the information needed to administer Government policies is collected and disseminated. A review of support services for administrative work would look at the internal handling of information which supports decision-making, either about selected individual policies or about a policy's operational implementation. In practical terms it would cover:

- (1) Need - the generation of paperwork and what is done with it.
- (2) Circulation/communications (including need to copy, but not reprographics), information flows.
- (3) Storage - filing, registries, location in relation to operational need, purpose, duplication; perhaps also archiving and public records.
- (4) Retrieval - indexing, ease of finding.
- (5) Processing - how, for what purpose, the means of changing or adding to the information held.
- (6) Typing/secretarial/junior clerical administrative support.

(7) Control - the allocation of responsibilities, costing and cost accountability, user disciplines, formal control systems.

2. The review would examine the brass tacks of support for administrative work and existing paper-based arrangements. It would identify their cost and the scope for streamlining procedures and organisation, for improving efficiency, and for increasing job satisfaction and commitment among all the staff concerned. It would pay close attention to the views about the work of the non-managerial staff employed there. It would cover for certain operations the manual (paper) procedures supporting automated data processing, looking in particular at duplicated manual/automated data storage. It would be concerned with the handling of information arising from the operation of policies, as opposed to their management; illustrative examples might be the information needs and associated records for the approval of driving instructors, or for grant payments to hill farmers, or for public expenditure survey discussions and decisions by Ministers.

3. The approach would be to trace in such selected areas the flow of information which services decision making, to assess the costs incurred, and to draw conclusions about how well the information itself is managed and how such management could be improved. This should also enable broader lessons to be drawn about the potential application or extension of information technology, and possibly about the wider implications of such technology for management and organisation. It might

also provide useful information about the organisation needed to promote and effect such applications promptly (with special reference to the role of line managers).

4. The review would enable more general lessons to be learned from work that some departments are likely to be undertaking or have undertaken anyway. The recommendations made would be chiefly for departments to apply. But some might also affect central responsibilities, for example concerning the conditions of service for typists and secretaries and clerical staff, training, the introduction of information technology, or auditing requirements.

5. The review would include studies of the support arrangements for at least part of:

HM Customs & Excise
= Department of Employment
Department of Environment
Home Office
Inland Revenue
Management and Personnel Office

6. An existing study of information flows in MAFF and Department of Transport (Railways) ^{would} be associated with the review.

7. HM Treasury (CCTA) would be associated with the MPO in the review and central assignment staff would be available to support departments' own teams.

MULTI-DEPARTMENT REVIEW: PROCUREMENT AND CONTRACT PROCEDURES

1. Evidence from the Review of Research and Development Support Services, from a study of MOD Operational Requirements, from the Scrutiny of Publicity Services and from other studies suggests that procurement and contract procedures are not always as flexible, quick, cheap and effective in securing value for money as they should be. While the costs of the goods are often way above the cost of the procedures it is not clear that all aspects of the procedures add value; indeed, a difficult procurement procedure can be wasteful in its own right.

2. The increasing use of the private sector to supply goods and (particularly) services makes it especially important to be sure that the best deals are being made with an economy of effort. The increasing use of repayment between departments also requires that internal "contracts" should be processed cost-effectively.

3. The review would cover the procedures for procurement and contracts from the drawing up of the specification to the acceptance of, and final payment on, the delivered product or service. Where relevant, the review would include the practical procedures required by the investment appraisal method in use. Thus, three distinct but related stages would be examined, namely:

- (1) from the drawing up of the specification to the letting of the contract;

- (2) technical monitoring, including quality control;
- (3) financial monitoring, including staged payments.

The review would not include a detailed examination of the basic legal framework governing procurement and contract procedures, but it might result in some general observations and comment about it.

4. The following departments could take part in this review:

MOD (excluding warlike stores)
HMSO
Department of Transport
DHSS (Supply Division)
PSA Supplies
Home Office

5. In addition the CCTA is already committed to reviewing its functions next year. A study of CCTA procurement and contract procedures would contribute both to the multi-department review and to their own study.

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