



10 DOWNING STREET

From the Principal Private Secretary

SIR ROBERT ARMSTRONG

VALUE FOR MONEY SEMINAR: DEPARTMENT OF TRADE AND INDUSTRY

The Prime Minister completed today the seminar which she started with the Secretary of State for Trade and Industry on Tuesday 10 July, accompanied by Sir Anthony Rawlinson and Sir Brian Hayes. Sir Robin Ibbs, you and I were present. This minute covers the points discussed both on 10 July and today.

The Secretary of State said that he had written to Sir Robin Ibbs describing the mechanisms and formal systems being put in place in the Department of Trade and Industry to improve efficiency and effectiveness. His presentation covered four subjects - objectives and work programmes; FMI-related work; programme expenditure; and administrative expenditure.

On aims and programmes, the Secretary of State said that specific work programmes for each DTI division for the next twelve months had been introduced, and he was sharpening those which were indeterminate. These set specific objectives and there were six-monthly reviews of progress, which investigated whether targets had been attained and what needed to be done, for example by moving the right people to the right jobs. The Prime Minister asked how the targets were set: the Secretary of State said that he himself went through them in broad outline and Junior Ministers and Deputy Secretaries went through them in detail. Sir Robin Ibbs asked whether the objectives covered work to be done or improvements in value for money: the Secretary of State said that they concentrated mainly on the first but included the second, but that improvements in value for money could be identified separately if necessary.

On the FMI, the Secretary of State said that he was working on two principles - delegation and audit. Over half the DTI staff was in responsibility cost centres, where management had its own budgetary responsibilities, with corresponding

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responsibilities for improving efficiency. The Prime Minister asked whether local managers had targets for improvements in efficiency: Sir Brian Hayes said that, where this was possible, it was being done, for example by comparing the numbers of cases handled per unit of staff in regional offices.

The Secretary of State said that 2,500 staff had been trained on FMI and clear savings were already being achieved. The aim was now to extend a similar approach to central divisions in the Department. On audit, the task was to find out if managers were carrying out their responsibilities properly. Practitioners from Thompson McLintoch had been brought in to strengthen the DTI's Audit Unit while staff were being trained. In addition, Rayner scrutinies had reviewed areas covering nearly 50 per cent of the Department's manpower and 47 per cent of its programme expenditure.

On programme expenditure, the Secretary of State said that this was being looked at as tightly as administrative expenditure and had fallen overall by 29 per cent in real terms since 1978-79. There had been large changes in emphasis from support for nationalised industries to selective assistance; and to support for innovation. There had been a concentration on selective regional assistance which required extra staff but saved money, and greater emphasis on additionality. The maximum levels of grant for innovation had been reduced and in larger cases made subject to negotiation and forms of assistance which offered poor value for money had been cut out. Assistance was being rationalised under the headings of business and technical advisory services; support for innovation; support for industry and regional innovation; and the British Overseas Trade Board aid for exports.

The Prime Minister said that the areas of industrial sponsorship and assistance for innovation were the ones which concerned her most. She was doubtful whether the extent of the Department of Trade and Industry's sponsorship was justified and whether it was as closely related to additionality as it could be. She was also doubtful whether the staff in sponsorship divisions had the necessary commercial background and expertise. She recalled that she had originally been recommended to make 90 per cent grants under the Alvey scheme and that, following outside advice, the proportion had been reduced to 50 per cent. She also suggested that more needed to be done to co-ordinate assistance for innovation sponsored by the Department of Trade and Industry with the research carried out in universities, research councils, and industrial associations. Sir Robin Ibbs said that if a company thought it worthwhile to finance 75 per cent of the cost of a

project it would probably be prepared to finance 100 per cent. He asked whether, in the monitoring arrangements being made by the DTI to find out whether assistance had given value for money, there were systematic arrangements for trying to draw the lessons from different schemes. The Secretary of State quoted examples of companies involved in innovative work in competition with other countries, which would not have been able to stay in the race without assistance. He was taking a rigorous attitude towards proposals for assistance, and had recently withheld a paper on assistance for new materials technology. Greater emphasis had been placed on additionality, and in particular a distinction had been made between cash-rich companies and others in determining needs for assistance. As regards sponsorship, the demands could only be reduced if the work coming forward on things like EC directives, consumer protection, GATT and standards could be reduced. Sir Brian Hayes added that he would arrange for Sir Robin Ibbs to have a note of the work which the Department of Trade and Industry were doing on post-completion monitoring.

On administration, the Secretary of State said that between 1979 and 1984 there had been a 20 per cent reduction in Department of Trade and Industry numbers after adjusting for functions transferred to the Department of Transport. Between 1984 and 1988 some rise in numbers was expected, but there was in many cases a conflict between cutting numbers down and saving public expenditure. For example, the number of staff in the Companies Registration Office would increase by 100 but this would be more than offset by increased revenue. Extra staff were also required in order to save money by making industrial assistance more selective. The Prime Minister questioned whether the numbers in the Department needed to be so large in areas like sponsorship and consumer services. She asked what had been the change in the number of posts in Ministerial and Permanent Secretary offices: Sir Brian Hayes said that there had been a saving of 18 posts in ministerial offices and 8 posts in Permanent Secretary offices since 1979. The Secretary of State said that he would like less regulations to administer but while these were imposed, for example from Europe, staff were necessary to implement them. The Department had also operations imposed by other departments, for example the RIS which largely carried out Home Office policy.

Summing up the discussion, the Prime Minister said that she was still not satisfied that the attitude of the department was sufficiently rigorous towards industrial sponsorship and assistance. She detected signs of an attitude that nothing in industry would happen unless the Government supported it with money. She had questioned a number of proposals coming forward from the Department on these grounds. She hoped that the Secretary of State, with the assistance of

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Sir Robin Ibbs and his Unit, would continue to question rigorously the extent to which the department devoted staff and expenditure to support and regulation of industry.

I am copying this minute to Callum McCarthy (Department of Trade and Industry), John Gieve (Chief Secretary's Office), Mary Brown (Lord Gowrie's Office), Sir Anthony Rawlinson, Sir Brian Hayes and Sir Robin Ibbs.

David Butler

PP

Robin Butler

1 August 1984

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