

070  
Weekend box

Prime Minister

The meeting is on  
Tuesday afternoon but you may  
like to read the paper over the  
weekend.

F.R.B.

23.11.

CONFIDENTIAL

PRIME MINISTER

VALUE FOR MONEY SEMINAR WITH THE SECRETARY OF STATE FOR SCOTLAND

Purpose

Your purpose is to impress on Mr Younger the need to maintain a constant drive for better value for money in both programme and administration expenditure.

Handling

The Secretary of State will expect to speak for about 15 minutes on recent achievements and plans for further progress. He will give special attention to Transport and Agriculture, as you suggested, but will also want to refer to his other responsibilities. There will then be up to 60 minutes for questions and discussions.

Facts

Mr Younger controls total spending of £7 billion a year. His departmental running costs, for five functional departments and the central Scottish Office, are nearly £100m a year.

The Treasury believes that the present formula arrangements are giving the Scots at least £½ billion a year more than strict comparability would require. While Mr Younger might privately admit that his provision is generous, he has resisted the Treasury's proposal for a review. Discussion about comparability would be out of place at this meeting. But the background is relevant: Mr Younger must know that his expenditure will be under pressure in future years and that it will be essential to get maximum value out of limited funds.

Questions

The basic questions are:

- (1) what are Mr Younger's specific value for money targets  
- not just generalised objectives?
- (2) what timetable has he set himself for each?



- (3) how can motivation and sense of urgency be increased?
- (4) what help is needed from outside? Can the scrutiny approach help to identify targets or to deliver targets already identified?

You will want to challenge:

- (a) cosy targets: things that would happen anyway;  
and
- (b) lack of specificity: you will want to press Mr Younger to say how much closer he expects to be in 12 months' time to achieving each of his objectives.

The annex to this brief suggests some specific questions designed to focus on Mr Younger's responsibilities. Some background material which you may find useful for reference is also attached.

#### Summing up

You will want to ensure that the Secretary of State and the Permanent Secretary carry back with them:

- (a) strong messages of encouragement on points of positive achievement; and
- (b) a firm commitment to delivering further improvements in value for money against specific targets with a sense of urgency.

I suggest you ask the Efficiency Unit to check that points which emerge from the seminar are followed up.

I am sending copies of this minute to Sir Robert Armstrong and Sir Peter Middleton.

*Robin Ibbs*

bb ROBIN IBBS  
23 November 1984

[Approved by Sir Robin Ibbs and signed in his absence.]

## ANNEX

### POINTS TO RAISE

#### Transport

Of the major roads schemes under construction last year 28 per cent, costing £41 million, had in economic terms a negative net present value. That was twice the proportion in England.

Question: How are you going to get better economic value out of this large programme?

The Secretary of State has increased subsidies to shipping services in the Highlands and Islands without putting any pressure on the operators to improve efficiency.

Question: How are you going to get more efficiency out of the transport operators?

#### Agriculture

With hill livestock subsidies and CAP subsidies public expenditure on agriculture in Scotland has exceeded total farm income in the past 2 years. Research and advice to farmers costs a remarkable £40m a year.

Question: How do you assess the effectiveness of agricultural subsidies in relation to other measures? How are you going to improve the cost-effectiveness of maintaining employment in remote areas?

Question: Is Scotland's agricultural research properly coordinated with England's to ensure that there is no waste?

### Health

Scotland has the highest numbers of doctors and hospital beds per head of the population in Britain, yet it has the least healthy population.

Question: What targets are you setting the health service in Scotland for the reduction of preventable disease?

### Industry

The Scottish Development Agency employs 730 staff and has a budget of £95m a year. The Highlands and Islands Development Board employs 260 staff and spends £21m a year. Both are additional to the normal industrial assistance available in the English development areas.

Question: Industrial development policy (including attracting investment from abroad) has been very effective, but what are your targets for achieving that effect at lower cost?

### Education

Scotland has the lowest pupil/teacher ratios, both in secondary and in primary schools, in the UK. And there is gross over-capacity in Scottish teacher-training colleges: Dundee, for example, is only 20% occupied

Question: What are you going to do to increase efficiency in the education area?

Central Scottish Office

Question: How are you going to achieve/improve on the 550 reduction in civil service numbers needed (excluding the prison service) to meet your 1988 manpower target?

Question (for Sir William Fraser): How are you countering the inefficiencies inherent in having the complex pattern of reporting between Departments and junior Ministers shown in the chart attached?

Unnecessary administration costs arise because the Scots feel obliged to duplicate the work of the English Departments.

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Question: What scope is there for increasing the extent to which Scottish Departments draw on the resources of English Departments instead of maintaining their own teams of professionals (except in law)?

Compliance Costs

The Scottish Office is not covered by the current scrutiny of administrative burdens on firms, especially small firms. Planning regulations are an important aspect of this, but also fire, building regulations and environmental health.

Question: Scotland has already led the way in liberalising Sunday trading and the licensing laws. What plans have you for further de-regulation?

## ANNEX

### SCOTTISH OFFICE EXPENDITURE AND MANPOWER

#### Staff Numbers

	<u>Excluding Prisons</u>	<u>Prison Staff</u>
1979	8233	2941
1984 (actual)	7060 (reduction of 14.25 per cent)	2714
1988 (target)	6505 (further reduction of 8 per cent)	3035

#### Main Expenditure Programmes, 1984-85

	1984-85 £m	Change since 1979-80
Agriculture, fisheries and food	188	+ 55%
Industry, energy, employment and tourism	180	+ 68%
Roads and transport	491	+ 41%
Housing and other environmental services	1191	+ 6%
Law, Order and Protective Services	490	+ 99%
Health	1844	+ 76%
Education and science	1610	+ 42%
Other	866	n/a
<b>Total</b>	<b>6860</b>	<b>+ 51%</b>

#### Running Costs

The 1984-85 Estimate is £96.8 million (gross).

#### Top Management Systems

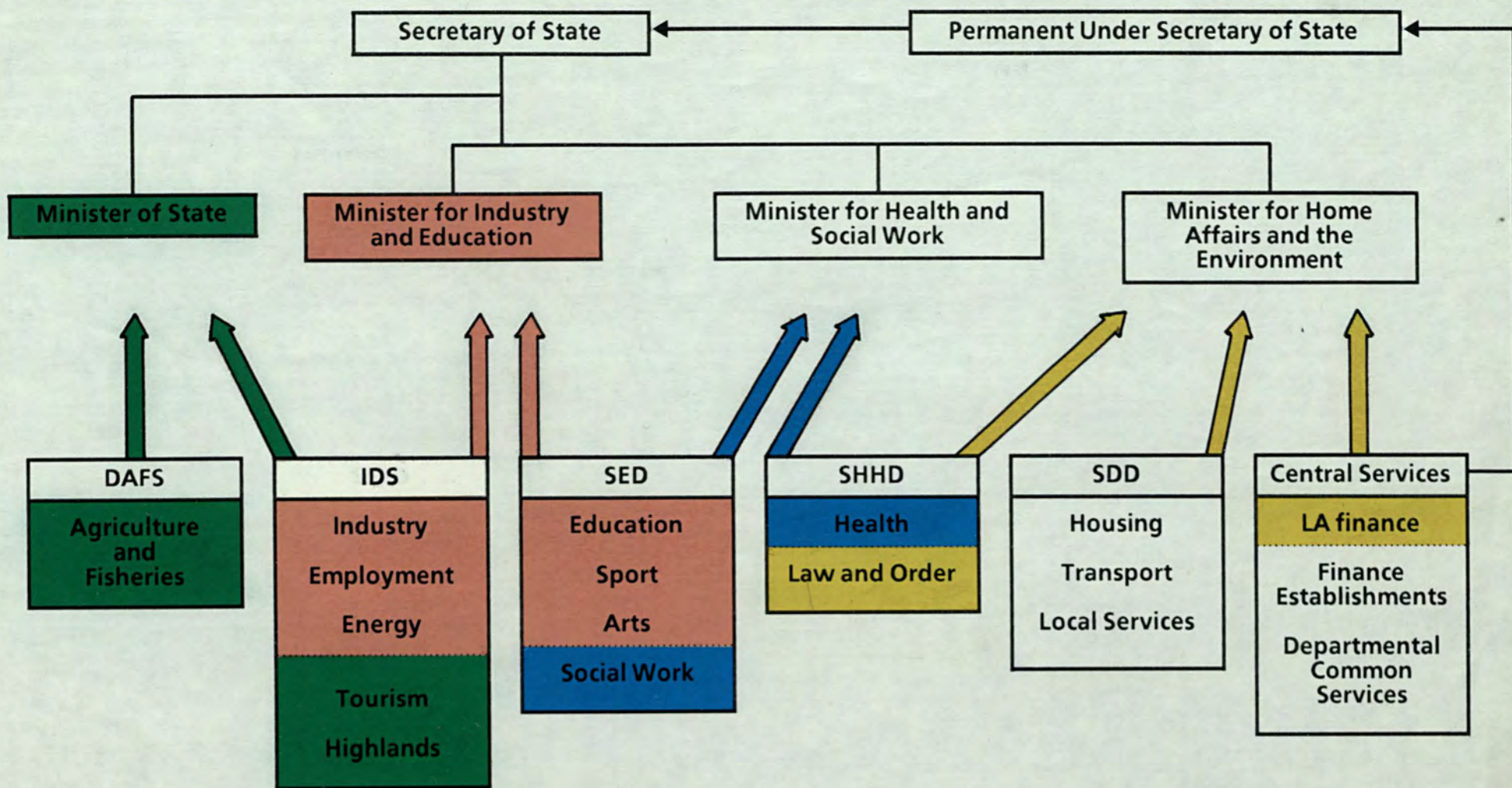
The Department's work is reviewed annually through the Management Planning System.

#### Budgeting Plans

A pilot exercise for five Budget Centres has operated in 1984-85. Full budgeting for most items of administrative costs, will apply to the Scottish Office Departments in 1985-86.

#### Scrutinies and Reviews

The Department has completed 6 scrutinies and 4 multi-department reviews.



Secretary of State

Permanent Under Secretary of State

Minister of State

Minister for Industry and Education

Minister for Health and Social Work

Minister for Home Affairs and the Environment

DAFS  
Agriculture and Fisheries

IDS  
Industry  
Employment  
Energy  
Tourism  
Highlands

SED  
Education  
Sport  
Arts  
Social Work

SHHD  
Health  
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SDD  
Housing  
Transport  
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