

PO-CH/NL/0077
PART A

Part A.

MANAGEMENT - IN - CONFIDENCE.

Begins: 9/8/84
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PO -CH /NL/0077



PART A

Chancellor's (Lawson) Papers:

PROGRESS REPORT ON THE
CIVIL SERVICE CATERING
ORGANISATION

NL/0077

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PO

PART A

Disposal Direction: 25 Years

25/7/95.

MANAGEMENT IN CONFIDENCE

pp

FROM: E P KEMP
9 August 1984

MINISTER OF STATE

cc Principal Private Secretary
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Battishill
Mr Gilmore
Mr Pearce
Mr Scholar
Mr Simpson
Mr C C Allan
Mr P Davis
Mr N J King
Mr Jordan
Mr Ridley
Mr Lord
Mr Beesley (MPO)
Mr Truman

CIVIL SERVICE CATERING - PROGRESS REPORT

You will recall that just before Christmas you announced a number of decisions relating to the future of Civil Service Catering and in particular the Civil Service Catering Organisation (CISCO). We thought it would be helpful to pull together how things are going in implementing those decisions, and we now submit the progress report below. I am very grateful to CISCO management and to IRD for the work they have done in putting this together.

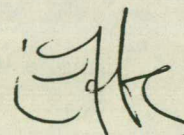
2. The report is pretty self-explanatory. As you will see, things are broadly on track, subject to the points I make in my next two paragraphs. Considerable effort is being put into keeping both Departments on the one hand and Civil Service unions on the other in touch with how the planning is going, and we are hopeful that this is going off. We would envisage a further report, though not necessarily quite as full as the present one, before the end of this year letting you know how things are then going.

3. There are two linked points to which I should draw particular attention. The first of these is the question of contracting-out. As you know, the pace here has hotted up a bit since your December statement. At that stage we only

MANAGEMENT IN CONFIDENCE

went as far as saying that catering services would be open to fair competition and that it would be up to Departments if they wished to seek competitive tenders. Since then, and following the line adopted eg for the NHS, Ministers have moved towards an approach which does not just permit Departments to go for contracting-out, but actually requires them to do so in respect of specified services, of which catering is one. Civil Service catering, and CISCO, will of course fall in with this policy; but we want to ensure so far as possible that anything done here is consistent with sensible management both within CISCO and within Departments. So far only MOD is showing much sign of making positive moves towards seeking tenders for the private provision of contracting; we may find that we have to try to hold back MOD from moving too fast on the one hand, while encouraging other Departments to move a bit faster on the other.

4. The second point to which I should draw attention, allied to this first, concerns the question of CISCO becoming a trading fund on 1 April 1985. This is the date we originally had in mind, and we are still working to it. There is no difficulty foreseen in completing the necessary technical procedures to achieve this date. But it will be important to have some kind of view of what sort of future CISCO has before asking Parliament to approve the change, and it may be that we should want to consider the effect of the contracting-out policy on CISCO's operations before taking final decisions. This is not just a question of the sort of scale of activity which CISCO might be left with, but also a question of how attribution to CISCO of the full costs of its operation, as required under a trading fund regime - that is, costs such as superannuation, payroll, banking and personnel management, use of the Chessington computer, debt interest, and so on - will in due course affect its viability particularly if its operations are on a slightly smaller scale. Mr Simpson, Director of CISCO, sets out his views on this in appendix A to the report below; my own view is that we should for the time being continue to plan for 1 April 1985, but that this should be reviewed before the end of the year.



E P KEMP

HM TREASURY

CIVIL SERVICE CATERING: INTERIM PROGRESS REPORT
ON SCRUTINY REVIEW DECISIONS

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Draft (2nd revision)

CIVIL SERVICE CATERING: INTERIM PROGRESS REPORT

1. GENERAL BACKGROUND

General

1.1 CISCO currently operates 93 accounting units (many with satellites) and 15 managed committee units. There are about 350 "independent" departmental Committee units, of which about 30 employ contractors. In 1983-84 total catering sales turnover was approximately £20m and direct subsidies (grants and credits) amounted to about £9.75m. With effect from 1 April 1984, responsibility for catering in Royal Ordnance Factories was transferred from CISCO to the ROFs in anticipation of privatisation.

CISCO Trading Account 1983-84

1.2 CISCO's operational report for the year ended 31 March 1984, submitted to Sir Peter Middleton and the Minister of State (C) on 29 June 1984, identified a number of encouraging features. For the first time in nearly 4 years there was a real growth in sales in the latter months of the financial year; gross staff costs were the same in cash terms as in 1982-83 reflecting a real saving of most of the cost of the 1983-84 pay increases; at the same time reductions in Special Service Credit recoveries from departments amounted to about 10 per cent in real terms. The outcome of these improvements in efficiency was a 7 per cent reduction in manpower for the year as a whole (excluding the transfer of 212½ operational staff to MOD in anticipation of the privatisation of ROFs). Committee results on the other hand continue to reflect a decline in "profitability".

Projections for 1984-85

1.3 The trading position for the current year therefore had a sound starting point. However food cost increases have been high during the early months and staff cost increases seem likely to be higher than expected. Agreement has been given for a tariff price increase of 3 per cent from September 1984 following a 3 per cent increase in April. It is not yet certain how departments will implement changes in staff catering policy but it seems unlikely at present that CISCO's trading operations for 1984-85 will be significantly affected.

4. PROVISION OF CATERING: NEW POLICY

2.1 Departments have now received most of the papers they need to determine their future catering services. There remains the paper on provision of catering to replace EC228, GC127 and GC168, which will give guidance on the policy for the provision of staff catering in the Civil Service and set out the subsidy and financing arrangements.

2.2 An important aspect will be the flexibility of provision available to departments compared with the present policy. With the move to emphasise departmental responsibility for catering facilities central policy will be to allow discretion to be exercised by departments according, say, to what they can afford to pay. Previous "rules" fixing provision according to numbers of staff and distance from other Civil Service and private catering units will be replaced by guidance about what would be appropriate in particular circumstances; but departments must decide what is best suited to their requirements. It is expected that consultation on this guidance will be completed by October and that formal promulgation will be in November.

3. NEW SUBSIDY ARRANGEMENTS

Common Tariff

3.1 CISCO has produced a new "common tariff" based on quality and quantity standards. These define the standard of the commodity to be used and the portion size. Prices have been set to achieve the same net sales income as existing arrangements and a trial of the tariff is currently being conducted in 10 CISCO units.

3.2 It is intended that the tariff will be applied nationally in all units so that all civil servants with access to subsidised facilities can have a reasonable expectation of getting equal value for money. CISCO will adjust prices as necessary (usually once or twice a year) to reflect changes in costs and will issue the revised tariff to all caterers.

3.3 Departments (not caterers) will have some flexibility to authorise the use of different prices, but widespread variations in the tariff and the related portion sizes would undermine the object of national prices and standards and make comparisons between units and caterers difficult. Variations will therefore need to be justified to CISCO, but departments seem unlikely to depart from the common tariff at least until the system has had a chance to settle down.

Financing Arrangements

3.4 Subsidies currently take the form of fixed or percentage grants related to turnover and special service credits related to the labour cost of various "non-standard" services. With effect from 1 April 1985 these grants and credits will disappear and departments will make payments to caterers on the basis of annual fixed price quotations submitted by the caterer. The quotations will identify the net annual cost of providing staff catering in a particular situation, given the application of the common tariff.

3.5 Because no additional subsidy money will be available, it is intended that the new arrangement should cost no more in real terms than at present. But there will be a shift of resources between units with some becoming more highly subsidised and others less so. There will also be a shift between departments and the necessary transfer of PES provisions will be made as soon as the changes can be forecast accurately.

3.6 Fixed price quotations will be submitted to departments not less than 3 months before the beginning of each operating year and will be altered only in exceptional circumstances (eg closure of the restaurant for reasons beyond the control of the caterer).

3.7 Departments will be able to make comparisons between existing costs (ie grants and credits) and the fixed price quotations under the new arrangements, and any major changes in cost to the department between 1984-85 and 1985-86 and then between subsequent years will require supporting explanations. In the event that a department is not satisfied that it is getting value for money it may decide to seek tenders from other caterers.

3.8 In general, the new arrangements are designed to be simpler to administer and to make it easier to identify the cost of catering. The necessity of providing fixed price quotations for the amount of the subsidy payment will be a new task for Committee treasurers, but CISCO is preparing detailed guidance to help them in this work.

4. LIAISON WITH DEPARTMENTS

Meetings with Departments

4.1 Meetings with groups of Departmental Nominated Officers took place in January and February 1984 to explain in detail the Government's response to a written Parliamentary Question on Civil Service Catering of 22 December 1983 (Hansard Cols 379-380) and to discuss the implementation of its recommendation.

4.2 The unanimous view of DNOs was that there was an immediate requirement to give priority to considering the future of the Committee system. A further meeting was held on 28 March 1984 with the DNOs of the three departments most concerned (MOD, IR and DHSS), when a paper outlining the options for the future of Committees was discussed.

4.3 From this meeting CISCO was asked to prepare a briefing paper for all Committee Chairmen on the Government statement and the options for the future of Committees. CISCO was also asked to set up a series of seminars throughout the country to which Committee chairmen and treasurers and their DNOs would be invited. The seminars were completed by mid-July.

4.4 The main points raised at the seminars were concern by Committees as to their ability to prepare budgets on a fixed price basis and the degree to which the flexibility to manage their financial affairs would be constrained by operating to a common tariff prepared by CISCO. Fears were expressed that if the application of the new tariff involved price reductions departments would not be prepared to fund the trading deficits which might result; and that if price rises were necessary loss of customers could lead to closures. Four options were presented for departments and Committees to consider:-

- (a) to allow Committees to remain as they were;
- (b) to go out to tender for a contracted service;
- (c) to appoint a CISCO manager to assist the committee;
- (d) to join a regional committee under CISCO management; this was a new option agreed with DNOs on a trial basis for many Committees which are too small for direct or individual Managed Committee status and which would be unattractive to contractors.

4.5 Those attending the meetings were told that papers were being prepared which would give guidance on:

- (a) the system for tendering out catering services;
- (b) a model contract;
- (c) the method for evaluating tenders.

Drafts have now been issued to departments and unions for discussion.

4.6 Throughout the meetings with DNOs and Committee officers CISCO took the initiative in the preparation of papers, the conduct of meetings and promotion of discussion on future developments. Little was contributed by departments and this

icates that the intended exercise of autonomy by Departments/Establishments would rely very much on CISCO being available for guidance and assistance in implementation.

Legal Status of Committees

4.7 The question of legal status of Committees was raised at some seminars. This subject has been under discussion for some time with the Treasury Solicitor, with departments and with CCSU. Agreement has now been reached within the Treasury that Committee officials should be indemnified against legal liabilities in normal circumstances and amendments are shortly to be made to the Civil Service Staff Restaurants Management Guide.

Action by Departments

4.8 The only positive reaction by a department so far has been from MOD. It has issued a statement of policy for the future of the Committee system which encompasses the options agreed with CISCO, but tells establishments that Committees will only be permitted to continue in their existing form in exceptional circumstances. MOD's CISCO units have been informed about the likely programme of implementation of changes in Civil Service staff catering, but the advice does not anticipate any move to tender out CISCO units until the new subsidy system has been established. Nevertheless, three smaller MOD CISCO units are currently considering tendering out their catering and we are aware that the subject is being discussed in other MOD units.

4.9 Customs and Excise have also issued a document to their establishments but it is a summary of existing policy including access agreements and payment arrangements, as well as an explanation of the scrutiny recommendations.

4.10 Inland Revenue have written to individual chairmen to ask them to indicate which option they would prefer for the future of their Committees.

5. CONTRACTING OUT

5.1 The Government statement on 22 December 1983 said that Civil Service catering would be open to competition. The new subsidy system effective from 1 April 1985 will apply equally to contractors and in-house providers; this will ensure parity of treatment in relation to payments made by departments for catering services.

5.2 Discussions with a wide range of departmental representatives about the review of Civil Service catering has not yet revealed the extent, or how soon, departments will wish to move to a contracted out service. Generally they are waiting for further

detailed guidance from the centre, although in some cases it is clear that contractors could be preferable to the present Committee system. Industrial Relations Division, in association with CISCO, has prepared detailed guidance on tendering procedures, cost factors and a model contract for use by departments, which has been issued in draft for discussion with departments and union representatives. It is hoped to publish a formal Notice by late August, which would allow tendering to begin in the autumn. Depending on the response from departments a number of contracts could be operating by the early spring.

5.3 One issue which has been mentioned by some departments is CISCO's position as an adviser when it is also competing for business. Special arrangements will be made to keep the Contracting and Consultancy Services Directorate at arms length from those parts of CISCO involved in tendering for business. A lack of outside independent catering consultants does not help in seeking an alternative to CISCO in these cases.

6. TRADING FUND PROGRESS

6.1 A Steering Group has been established under the chairmanship of IR Division to co-ordinate the work involved in a change to trading fund status. The activities which are necessary if the change is to take place on 1 April 1985 have been identified and a timetable drawn up. Work is in hand on such preparatory activities as the valuation of CISCO's assets; monitoring cash flow; the requirements for National Loan Fund borrowing; presentation of a forward plan; and the time table for enabling legislation. Nothing has been identified which would prevent the formation of the trading fund.

6.2 However, the various policy changes due to take place next April, particularly the opening of Civil Service catering to competition, will make it difficult to present a realistic assessment of the Organisation's future viability when final decisions have to be made this Autumn. The possibility of extending the CISCO managed Committee service to existing CISCO units adds a further element of uncertainty. The situation should begin to clarify during 1985-86 after the policy changes have been implemented, and the effects of tendering can begin to be assessed. A separate submission would be put to Ministers during October if deferment of the vesting day seems warranted on the grounds of good commercial management. No public commitment, for instance in the Government statements, has been given to 1 April 1985 as the trading fund implementation date.

7. SCRUTINY PROJECTS

7.1 Cumulative results for the projects up to 29 June 1984 are at Appendix B. The interim report on the trial projects was submitted 27 April 1984. A further round of price increases was introduced 30 April 1984 which raised prices half-way from food cost plus VAT to CISCO's current tariff level. The percentage uptake in all projects, with the exception of Cardiff, fell. Cardiff actually increased from 47.1 per cent to 54.4 per cent over the same period but this unit has been building up since a late start in December 1983. There has been a significant drop in occupation recently (16 per cent) during re-decoration. Uptake was also affected by the normal reduction in business during the summer months.

7.2 The costs per actual user have increased and the cost per entitled user have decreased as the percentage uptake has fallen. However the figures at Appendix B only reflect these costs cumulatively. The final figures under these headings will not be known until after the last price increase on 30 July have taken effect. The figures for the last two months (Aug/Sept) will be isolated for comparison under these two headings.

7.3 It has not been possible to take any management action in individual units to improve cost-effectiveness, as price changes affected usage, because it was necessary to avoid blurring an already confused situation. However, a wider range of choice in the 3 sandwich projects has been made available from 30 July 1984.

7.4 On completion of the trial in October all the projects will continue to be funded by CISCO for the rest of this financial year. Departments will be asked to fund their own units from 1 April 1985.

8. ADDITIONAL CAPITAL EXPENDITURE PROGRAMME 1984-85

8.1 An interim report on progress of the above programme was submitted on 18 April 1984. The present detailed programme, including the latest additions, is given at Appendix C. Considerable progress has been made in agreeing and submitting proposals in the last three months. The key factor in meeting the programme for 1984-85 remains the ability of PSA to progress individual proposals to achieve the planned expenditure.

8.2 For this reason the latest serials in the programme concentrate on allocation of funds for the provision of equipment and minor works which can be purchased within the financial year. Serial 33 Collective Service 646 is an addition to existing funds which PSA allow CISCO to control. Serial 34 is a new Collective Service CISCO is arranging to set up for the replacement of existing equipment. Surveys are being carried out of all

Civil Service restaurants to identify where replacement has been turned down for lack of funds. CISCO will select to fund from the survey items those which can be justified on grounds of greater efficiency or cost effectiveness. The large percentage of dining-room refurbishments which are included have been selected for the comparatively limited planning and design input which is needed, and because Crown Suppliers procedures can be completed much more quickly than those employed by PSA generally.

8.3 Efforts have continued to identify proposals for expenditure under "NEW PROVISION". These are identified in the programme with a suffix 'A' after the serial number. Two of these, Serials 16 and 30, are for large units rather than for the small units originally envisaged. However, as these two projects extend access to some 5800 civil servants it was considered justifiable to include them.

8.4 It is not possible to say now that the full amount of £1.65 million allowed for 1981-82 will be spent by 31 March 1985. Everything possible is being done by CISCO and PSA to ensure that all the money will be used. But a clear position will not emerge until October and a report will be made then on the 1984-85 situation. Programmes for succeeding years are already being formulated; because of the longer timescale no difficulty is anticipated in spending the total sums authorised in those years.

8.5 As indicated in the report of 18 April 1984, it is often difficult to be satisfied that expenditure approved will be in addition to normal PSA expenditure. One method for overcoming this difficulty is to progress a number of the proposals on a shared cost basis.

9. CONSULTATION/DISCUSSION WITH CCSU

9.1 After Ministers' decisions on the review of Civil Service catering were announced in the House of Commons the unions asked for a meeting with officials to complain about lack of consultation. This was held on 16 January when they claimed they had not been properly consulted about no increase in catering subsidy, the emphasis on departmental responsibility for catering, transfer to a trading fund and the extent to which contracting-out was to be pursued. They wanted assurances of proper discussions in the future. Although not accepting the unions' criticism officials emphasised that the December statement provided a new beginning. A firm assurance was given that there would be the fullest consultation about how best the review decisions might be implemented. Notwithstanding this commitment, CCSU representatives asked for a meeting with the Minister of State.

9.2 On 14 February a meeting was held between the Minister of State with officials and representatives of CCSU. The complaint about lack of consultation was reiterated;

Because no increase in the level of subsidy had been allowed by Ministers the Government was accused of renegeing on the assurance implied in the statement issued on 1 February 1983. The Minister did not accept that there had been a lack of consultation. Meetings had been held and only difficulties on both Sides had prevented one to discuss the Government statement issued on 22 December 1983. Economic circumstances which had arisen during 1983 allowed no more than an additional £1.65m for 5 years to be allocated for catering, better than nothing and more worthwhile spent on improvements rather than subsidy.

9.3 Meetings between officials and CCSU representatives were held in March, May and July. Discussion ranged over such matters as the new subsidy system, contracting-out, trading fund arrangements, Committees' organisation, capital expenditure and the Scrutiny projects. The unions' representatives contributed to these meetings usefully and there has been no evidence of serious dissent or wish for confrontation. They have been supplied with a number of papers which were issued to departments for guidance, eg the future of Committees, evaluation of Scrutiny projects, the capital expenditure programme and trials of the common tariff.

9.4 At the meeting on 31 July contracting-out was high-lighted. This issue is a particular interest to the unions because of the potential for redundancies, and a concern that there should be no bias in favour of contractors. Government's policy on contracting-out has been made clear and also that its aim is to be commensurate with sound management and good value for money for the taxpayer. Copies of the draft papers issued to departments for comments were given to the CCSU representatives. Although the industrial unions have shown little interest in catering matters so far, they have also been given copies of the same papers. As the effects of contractorisation will bear more heavily on their members it can be expected that they will become more involved from now on.

10. THE WAY FORWARD

10.1 As Chief Executive of CISCO, Mr D S B Simpson has submitted his view of the short-term future of CISCO's operations and it is attached as Appendix A.

10.2 Much of what Mr Simpson discusses relates to the viability of a trading fund. As stated in paragraph 6.2 above this matter will be further reported upon in October. It is certainly difficult to say now whether contracting-out will have an impact on Civil Service catering before the end of 1985-86.

11. SUMMARY

11.1 Progress on the various aspects of changes in Civil Service catering has been as follows:

- (a) General background - In 1983-84 turnover for all catering was approximately £20 million and direct subsidies were about £9.75 million. CISCO's trading in that year was encouraging with some real growth, but Committee operations declined. Policy changes now being developed are unlikely to affect CISCO's business during 1984-85.
- (b) Provision of catering: new policy - Consultation with departments on guidance to be issued on the new policy will complete by October and be generally promulgated in November.
- (c) New subsidy arrangements - Trials of the national framework tariff are now underway. Based on the tariff caterers will submit fixed price quotations to departments by December. Detailed guidance is being prepared by CISCO to help Committee treasurers with this work.
- (d) Liaison with departments - CISCO initiated numerous meetings with departmental representatives in London and the provinces to explain the new arrangements. Options for dealing with Committees were presented, the financial responsibilities of departments were examined and contracting-out was elucidated. Except for MOD, departments themselves had done little to disseminate information to Committee officials. Some fears were expressed about the common tariff leading to closure of facilities. The need for CISCO's advisory services was clear.
- (e) Contracting-out - Despite the provisions of information to departments on the arrangements for contracting-out there is little indication yet of their intentions. Drafts of the procedure for obtaining tenders, their evaluation and a model contract have been issued for comment; and if these can be finalised this month some contracts could be operating by early Spring. Copies have gone to the non-industrial and industrial unions.
- (f) Trading fund progress - A Steering Group is co-ordinating the preparation for CISCO to become a trading fund from 1 April 1985. No technical difficulties have emerged which would prevent that date being met. But there could be a question mark against the viability of a trading fund. A further report on this aspect will be made in October.
- (g) Scrutiny projects - Price increases since 30 April have caused a reduction in usage by staff. A final price increase was introduced on 30 July and a report will be made when the trials are completed in October. CISCO will continue

to fund the trial units until 31 March 1985 and departments must decide if they will bear the cost thereafter.

- (h) Additional capital expenditure programmes 1984-85 - A full programme of work for this year, spreading over into the next two years, has been arranged between CISCO, PSA and departments. New provision will include extending access to some 5,800 staff. But no firm commitment can be given now that the £1.65 million for 1984-85 will be completely used. A further report on the position will be made in October.
- (i) Consultation/discussion with CCSU - Three meetings have taken place since the Minister met union representatives in February. A number of papers have been discussed with them and their approach has been constructive. However, they are concerned about contracting-out. The industrial unions have been given copies of the papers on that issue and it is expected that they will react shortly.
- (j) The way forward - Mr Simpson, CISCO's Chief Executive - has given his views on the Organisation's short-term future. It is included as Appendix A and concentrates particularly on CISCO's viability as a trading fund. He suggests deferment might be an option to be considered.

THE WAY FORWARD

1. Many of the issues raised by the Scrutiny have been resolved and significant progress made in determining and disseminating new policies for the provision of staff catering in the Civil Service. It is now possible to make an assessment of the future role of CISCO within the revised arrangements. This will in any event be a necessary preliminary to the formulation of a plan for the establishment of CISCO as a Trading Fund.

2. Catering on the scale practised in the Civil Service both in relation to the main commitment of feeding civil servants at work and to the many and varied catering responsibilities of government departments and quasi-bodies in the public service, remains a professional occupation. This was recognised in the previous review which led to the formation of CISCO to replace a departmental and fragmented situation. Despite a low subsidy regime (relative to other staff catering facilities), lack of control over capital resources and staff conditions of service and wage rates a disciplined financial control system was established which has resulted in an increasingly cost-effective catering service. By comparison the committee system continues to reduce in size as civil servants find it increasingly difficult to maintain traditional services in small units on a part-time, amateur basis.

3. The government statement of December 1983 confirmed CISCO's role as both a provider of catering services and as the source of guidance and advice on catering matters to all departments. At the same time Departments' responsibility for making decisions on the provision of catering to their staff and for meeting the costs was re-stated. This division of responsibility is clear and has proved an effective and workable arrangement since the formation of CISCO. However two new elements have now been introduced. These are the development of a subsidy system which provides for open competition between in-house services and contractors and the need, as a consequence of FMI, to provide departments with the option, in some circumstances, to 'untie' completely from CISCO and to depart from the centrally controlled subsidy system.

4. These two elements introduce a degree of uncertainty about the future of CISCO. It is quite clear from discussions with departments in recent months that they have neither the resources nor the expertise to make significant changes to their catering services without assistance from CISCO. There is some doubt, however, about the propriety of CISCO being involved in the commissioning of tenders in units where they currently run the catering and some doubts about the need for professional monitoring of any contracts which are established

despite the lessons of Wardale, and CISCO's professional advice. I believe that once the system is functioning these doubts can be satisfied.

5. It is not clear at present exactly how different departments propose to delegate responsibility for making decisions about the future of their catering services nor in fact how far each department has progressed in its application of the principles of FML. The machinery through which departments handle policy matters on catering is the office of the DNO, which whilst adequate for the purpose in small departments, is quite inadequate for the larger ones in these circumstances. Time-scales for implementation of any agreed policy will therefore vary considerably. We have also no way of knowing what priorities will be given in individual units or departments to considering changes in catering provision nor to what extent units themselves are candidates for privatisation/contracting out. In individual units, it should be remembered, net catering costs are an insignificant part of the total costs of running the units. (The net subsidy costs for the whole of the Civil Service, 500 units, is some £9m).

6. Clearly departments/units will not be consulting each other about the timing of any decisions they make on catering provision. It is uncertain therefore whether the resultant work-load can be absorbed by CISCO. Where CISCO direct units are involved the result of tendering action could be a need to institute compulsory redundancy measures and transfers of mobile staff to other units. I have asked therefore that CISCO be involved in both the programme of changes and its timing and this has been incorporated into the guidance on contracting out.

7. In response to the challenge of competition from private contractors CISCO has two problems in relation to its costs. These are the terms and conditions of service of its industrial staff and its headquarters costs.

a Terms and conditions of service

Terms and conditions of service in the catering industry are notoriously poor.

CISCO has no control in the Civil Service over the costs of its staff resources. We have examined the question of having greater autonomy in this respect but we can see no possibility of achieving greater flexibility. CISCO staff in dockyards are included in the dockyard efficiency scheme. This extra cost is met by the MOD but would clearly not be paid to the staff of a contractor. We are therefore considering the possibility of withdrawing from the scheme. Under the managed committee system we are able to

employ catering staff on behalf of the committee at local competitive rates. We have been recommending this system to committees as a way of acquiring professional support and it is expanding as one of the accepted methods of providing staff catering. We are considering extending the use of this system to our direct units. Neither of these suggestions has yet been made known to our staff who will clearly not welcome them. The extent to which direct catering were replaced by managed committees would have an affect on the decision about the change to trading fund status.

b. Headquarters Costs

In preparation for the change to Trading Fund status we are identifying the costs of the 'allied' and agency services provided by other departments. I welcome the opportunity that this will provide for CISCO to consider alternative suppliers of these services. Involving as some do the user of computers, our ability to untie from expensive services will be constrained by practical problems in the short-term. Meanwhile these costs will have to be reflected in any tenders we prepare in the immediate future in competition with private contractors.

8. The effectiveness of CISCO as the Civil Services' professional catering organisation depends on its having a viable role as the provider of direct catering. It is this direct involvement which enables CISCO to provide:-

- a. A geographically economical structure including a professionally and administratively competent headquarters staff
- b. An effective buying policy.
- c. An advisory role giving 'real' advice and guidance.
- d. Effective monitoring of contractors in staff restaurants, LCD, Parks, Museums and Galleries.
- e. Planning support to PSA for all catering premises and equipment.
- f. Hygiene inspections on Crown Property - some 700 premises.
- g. Support for the national government mobilisation commitment.

SUMMARY

9. The effectiveness of CISCO as the Civil Services' professional catering organisation depends on its having a viable role as the provider of direct catering.
10. The division of responsibility for staff catering will work satisfactorily provided CISCO's role as defined in current policy statements is not eroded.
11. There is considerable uncertainty about how departments' will exercise the increased autonomy provided by the new subsidy system and the increasing application of FMI.
12. Because of the above uncertainties I am doubtful whether it will be possible to submit a corporate plan in the currently accepted sense in preparation for Trading Fund status from 1 April 1985.

D S B S

31 July 1984

Monthly Report on Rayner Experimental Projects

Appendix B

Period3..... ended ...29 June 1984.....

No of trading days ...24.....
(23 in M/Haven & Wimbledon)

Cumulative trading days Various...

(1) Project/ Restaurant	(2) Direct Subsidy Cost		(3) No of Entitled Users	(4) Daily Cost per Entitled User		(5) Equivalent Annual Cost Per Entitled User		(6) % Uptake		(7) Daily Cost Per Actual User		(8) Equivalent Annual Cost Per Actual User	(9) Capital Cost Per Entitled User		(10) Per Actual User	
	P	C		P	C	P	C	P	C	P	C		£	£	£	£
	£	£		P	P	£		P	C	P	P		P	£	£	£
pswich	14	2819	81	0.1	13.9	34.7	31.6	52.1	0.2	26.7	66.5	24.6				
xeter	1362	10070	350	16.2	16.4	41.1	20.8	25.8	78.0	63.8	159.5	6.95				
ardiff	1433	9955	275	27.1	26.4	66.1	47.6	41.4	57.0	63.8	159.4					
ilford Haven	968	9092	250	16.8	20.2	50.5	29.6	32.4	56.8	62.4	155.9					
imbledon	592	11059	191	12.7	18.7	46.7	11.5	33.3	110.7	56.0	140.0					
udford	593	8651	188	12.9	19.5	48.8	21.5	36.2	60.2	53.9	134.6	13.4				
alsley	425	10375	350	50.6	13.1	32.8	19.0	33.3	26.7	39.4	98.4	12.4				

PROPOSED CAPITAL EXPENDITURE PROGRAMME 1984-85
(Catering Premises and Equipment)

Appendix C

Serial	Location	Department	PROPOSAL (including latest estimate of cost)	Plans to PSA for Implementation	Justification
1	Whitgift Centre Croydon	DOE	Complete refurbishment (£150K)	14 Feb '84	To replace out of date facilities and old equipment. Relinquish 580 sq metres
2	Teddington	NPL	Complete refurbishment (£380K)	14 Feb '84	To replace out of date facilities and old equipment. Relinquish 290 sq metres.
3	GOGGS	Treasury	Re-instatement of full restaurant facilities. (£180K)	14 Feb '84	To consolidate expensive 'piece-meal' attempts to provide adequate facilities.
4	Lytham St Annes	DNS	Complete refurbishment (£259K)	14 Feb '84	To replace out of date facilities and old equipment. Relinquish 350 sq metres.
5	Argyle House	Scottish Office DOE	Refurbish dining-room (£47K)	13 Feb '84	To complement new servery area recently installed.
6	Saughton	Scottish Office DAFFS	Refurbish dining-room (£65K)	13 Feb '84	To complement new servery area recently installed.
7	Meadowbank	Scottish Office GRO	Refurbish dining-room (£80K)	13 Feb '84	To complement major uplift of catering facilities. Kitchen and servery areas completed 3 years ago.
8	Chessington	PSA	Complete refurbishment	17 April '84	To replace out of date facilities and old

Serial	Location	Department	PROPOSAL (including latest estimate of cost)	Plans to PSA for Implementation	Justification
9	Woburn Place	C&E	Re-instatement of Catering Facility (£42K)	13 March '84	To complement £80K provided by PSA to complete satisfactory provision.
10	Devonport	MOD	2 bakery ovens (£15K)	24 May '84	Current bakery provides 53% of business using conventional ovens with high fuel costs, high wastage, labour intensive.
11	Thomas More	LCD	Service counter replacement and refurbishment service area (£40K)	11 May '84	To complement dining-room refurbishment funded by PSA.
12	Main Building	MOD	Dining-room - Modification of existing main service area. (£20K)		Improve efficiency of heavily used facility.
13	St Christopher	MOD/PSA	Refurbish dining area (£97K)	30 April '84	To complement new servery area recently installed.
14	St Giles Court	MOD	Refurbish dining area (£48K)	5 June '84	To complement new servery area recently installed.
15	Elizabeth House	DES	Refurbish dining area (£98K)	13 April '84	To complement new servery area recently installed.

Ref	Location	Department	PROPOSAL (including latest estimate of cost)	Plans to PSA for Implementation	Justification
16 A	Bootle, Liverpool	IR	Re-locate and upgrade inadequate facilities. 88 seat - snack restaurant 92 seat - coffee bar/cold snack (£251K) (£50K)	24 Feb '84	There are 4000 civil servants with no adequate facilities in this area. No funds available in past 10 years. Current scheme agreed with PSA on shared cost basis.
17	King Charles St	F&CO	2 beverage vending machines 2 merchandisers 2 cup carousels Associated B&C work (£26K)	17 April '84	Ventilation, new servery counter and some kitchen equipment to be funded by PSA to establish acceptable facilities for next 7 years. CISCO proposal to complement the requirement in the most cost-effective way saving 2 full-time catering assistants.
18	GCHQ	F&CO	Provision of bakery (£58K)	12 April '84	
19	St Christopher	PSA/MOD	Additional counter units (£6,400)	16 May '84	To complete servery area.
20	Longbenton	DHSS	Bakery service point (£12,500)	30 May '84	Shared cost with Committee to improve efficiency of bakery service.
21	1-19 Victoria St	DTI.	Refurbishment Kitchen and Servery (£295K)	2 July '84	Reduce over-extended and uneconomic facilities. Relinquish 340 sq metres.
22 A	Portcullis House	DOE	Provision of vending machines (£15K)	6 June '84	Extension of service to 300 civil servants Satellite of Ashburner House.

	Location	Department	PROPOSAL (including latest estimate of cost)	Plans to PSA for Implementation	Justification
23	Kings Beam House	C&E	New counter and refurbishment of dining-room (£70K)	6 July '84	Rehabilitation of service counters and dining-room in poor condition. Possibility shared cost with department.
24A	Birkenhead	LR	Provision Vending Machines (£38K)	7 June '84	New provision for facility not planned for - to be contractor operated.
25	Ensleigh	MOD	New carpet and re-decoration (£15K)	15 June '84	Completion of earlier project.
26	The Pithay Bristol	DE	Dining-room rehabilitation (£40K)	15 June '84	Very poor condition.
27	Copenacre	MOD	Re-furbishment of dining-room (£40K)	15 June '84	Complement servery area improvements.
28	DVLC Morriston	DOE	Dining-room rehabilitation		Phase I of major rehabilitation. Held pending PSA Accommodation Feasibility Study.
29	British Museum	BM	Staff dining-room - replacement tea-bar and main counter. (£30K)		Replace worn-out equipment.
30 A	Abell House	Home Office	New Kitchen and Dining-room (£150K)	3 July '84	Office block for occupation by Home Office with access for staff from adjacent Cleland and Horseferry Houses - 1800 staff total. Shared cost with PSA and Department.

Serial	Location	Department	PROPOSAL (including latest estimate of cost)	Plans to PSA for Implementation	Justification
31	100 Westminster Bridge Road	F&CO	Dining-room and servery refurbishment.		Phase I of complete rehabilitation - space to be given up.
32	Chalfont Drive	DHSS	Rehabilitation of Kitchen		Worn out facilities. No PSA funds available.
33	Collective Service 646	PSA	Purchase single items new equipment (£100K)	18 July '84	Addition to existing funding for this purpose on normal PSA vote.
34	New Collective Service (No. to be allocated)	PSA	Replacement of single items of unserviceable equipment.	18 July '84	Survey to identify where expenditure will be cost-effective eg Low temp Dish-washer: Saving 40% water 50% detergent £2,500 p. a. on electricity (large machine in one case)
35 A	Montrose House	PSA	Small snack bar/vending operation (£55K)		New facility for 270

MANAGEMENT IN CONFIDENCE



FROM: M E Corcoran
DATE: 13 August 1984

(Handwritten initials)

MR KEMP

cc Principal Private Secretary
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Battishill
Mr Gilmore
Mr Pearce
Mr Scholar
Mr Simpson
Mr C C Allan
Mr P Davis
Mr N J King
Mr Truman
Mr Jordan
Mr Ridley
Mr Lord
Mr Beesley - MPO

CIVIL SERVICE CATERING - PROGRESS REPORT

The Minister of State was very grateful for your minute of 9 August with the attached progress report.

The Minister is not clear what you mean (end of your paragraph 3) about MOD "moving too fast". He wonders what problems there are envisaged? He is also concerned about the Treasury trying to hold back contracting out.

On your second point, the Minister is sure we should press ahead as planned with the change to a trading fund.

The Minister would value further advice from Mr Lord and from Mr Beesley.

(Handwritten initials)

M E CORCORAN
Private Secretary

MANAGEMENT IN CONFIDENCE

FROM: E P KEMP
14 August 1984

MINISTER OF STATE

cc Principal Private Secretary
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Battishill
Mr Gilmore
Mr Pearcc
Mr Scholar
Mr Simpson
Mr C C Allan
Mr P Davis
Mr N J King
Mr Truman
Mr Jordan
Mr Ridley
Mr Lord
Mr Beesley - MPO

CIVIL SERVICE CATERING - PROGRESS REPORT

Mr Corcoran's minute of 13 August set out some comments you had on the progress report attached to my submission of 9 August.

2. On contracting-out, there is absolutely no question of the Treasury trying to hold back privatisation of Civil Service catering. As you know from previous submissions, however, we are anxious that this should be done in such a way and on such a timescale as to recognise the managerial and financial problems too much of a rush could give to CISCO. My (perhaps not very happily phrased) point about MOD "moving too fast" was intended to reflect this thought; as you know MOD are the biggest single customer of CISCO and have some of CISCO's biggest catering units. The idea is to try to agree with MOD a sensible rate of progress towards competitive tendering which reflects the importance of this to CISCO. Per contra, as I also said, we may well find we have to encourage other Departments to move a bit faster, and we will certainly want to do this if they show signs of dragging their feet, as they may.

E P KEMP

24 AUG 1984 11



EFFICIENCY UNIT

70 WHITEHALL, LONDON SW1A 2AS

Enquiries : 01-233 8412

Direct line : 01-233

RSP

24 August 1984

M E Corcoran Esq
PS/Minister of State
HM Treasury

Dear Michael,

CIVIL SERVICE CATERING - PROGRESS REPORT

In your minute of 13 August you asked for advice on the progress report submitted on 9 August; I have since seen Peter Kemp's further minute of 14 August.

2. The key issues appear to be:

- (1) Contracting Out It would of course be wrong (and look very odd) for the Treasury to hold back MOD work on contracting out. I can see the force of argument that MOD ought to give reasonable notice of an intention to do so, thereby helping CISCO plan for the consequences and avoid unnecessary expenditure. But, equally, this must not be allowed to weaken the contracting out momentum seriously. So what the Minister of State perhaps needs is confidence that CISCO are planning a rapid, but not foolhardy, progress to greater private sector involvement - and are getting themselves into a better position to respond flexibly.

The Minister of State may want to consider how other departments can be encouraged to show similar enthusiasm. One way would be to set a target for the number of operations that should be subject to competitive tendering in 1985-86 and to set a date (1 April 1988?) by which all operations should have tested the market at least once. A firm timescale should also help CISCO plan their resources to help departments in this.

- (2) Trading Fund I have no doubt that the Trading Fund should go ahead on 1 April 1985. There is every advantage - both substantial and presentational in getting CISCO on to a proper quasi-commercial basis before competition starts in earnest.

MINISTER OF STATE	
REC'D	24 AUG 1984
ACTION	MR Kemp (Truman)
	APC, PSCST, PSCST, PSCST
	Mr Peter Kemp for Mr Kemp
	Mr Kemp for Mr Kemp
	Mr Bateshell for Mr Bateshell
	Mr Pearce for Mr Pearce
	Mr Simpson for Mr Simpson
	Mr P Jones for Mr P Jones
	Mr N S King for Mr N S King
	Mr Ridley for Mr Ridley
	Mr Lord for Mr Lord
	MST

(3) Experiments It is unsurprising that usage has fallen as prices have risen. The important question is whether these projects have now given sufficient clear evidence on the value of a lower cost, simpler provision which will enable departments to choose, when the time comes, what sort of provision they want and how much it will cost.

3. I am copying this to Peter Kemp.

*Yours,
Ian*

IAN B BEESLEY



FROM: M E Corcoran
DATE: 28 August 1984

109

MR TRUMAN

cc Principal Private Secretary
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Kemp
Mr Anson
Mr Battishill
Mr Gilmore
Mr Pearce
Mr Scholar
Mr Simpson
Mr C C Allan
Mr P Davis
Mr N J King
Mr Jordan
Mr Ridley
Mr Lord

CIVIL SERVICE CATERING - PROGRESS REPORT

The Minister of State has read Mr Beesley's letter of 24 August. Noting in particular what Mr Beesley says about contracting out, the Minister has commented that he is attracted by this approach - and unless there are counter arguments - he would like it followed.

M E C

M E CORCORAN
Private Secretary

FROM: D A TRUMAN
DATE: 31 August 1984

(17)

MINISTER OF STATE

cc Principal Private Secretary
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Kemp
Mr Anson
Mr Battishill
Mr Gilmore
Mr Pearce
Mr Scholar
Mr Simpson CISCO
Mr C C Allan
Mr P Davis
Mr N J King
Mr Jordan
Mr Ridley
Mr Lord
Mr B Smith CISCO

Mr Beesley MPO

CIVIL SERVICE CATERING - PROGRESS REPORT

Mr Corcoran's minute of 20 August reflected your comments on points raised by Mr Beesley in his letter of 24 August.

2. On the question of contracting out catering, papers have been circulated to Departments for comment; these make the Government policy clear but leave decisions on the provision of catering primarily with Departments. It will take some little while for Departments to react to these papers and to consider CISCO and, where appropriate, Committee quotations for running restaurants in 1985/86; thus there is likely to be a steady but not unmanageable flow of requests for competitive tenders. The latest indications from the Ministry of Defence are that they intend to adopt a manageable programme for tendering out in future and we think it would be right to include in the final guidance to Departments encouragement to plan ahead on a similar basis. We will amend the papers accordingly.

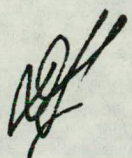
3. Mr Beesley suggested that all catering operations should be tested in the market place. However, many of these in the Civil Service, particularly those run by committees, have a turnover of

less than £20,000 a year. Many would not be attractive to approved contractors and the potential savings could often be too small even to justify the cost of the tendering exercise. We would like to suggest, therefore, that Departments should not be compelled to put out to tender those operations with an annual turnover below the VAT threshold (currently £18,700 a year) but should be free to do so if they wished. But we should review the situation in, say, 18 months time to see whether Departments should be given a further push.

4. I should be glad to know whether you agree to this modification of Mr Beesley's approach.

5. As for the trading fund, work is currently proceeding on the basis that this will be established with effect from 1st April 1985. Proposals will be put to you in the autumn in the light of all the available information for confirmation of the policy.

6. Mr Beesley referred to the experiments. The professional CISCO view is that these were worth doing and provided much useful information which will be used in framing new guidance to Departments.



D A TRUMAN
Industrial Relations Division



FROM: M W Norgrove
DATE: 3 September 1984

MR D A TRUMAN

cc Principal Private Secretary
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Bailey
Mr Kemp
Mr Anson
Mr Battishill
Mr Gilmore
Mr Pearce
Mr Scholar
Mr Simpson - CISCO
Mr C C Allan
Mr P Davis
Mr N J King
Mr Jordan
Mr Ridley
Mr Lord
Mr B Smith - CISCO
Mr Beesley - MPO

CIVIL SERVICE CATERING - PROGRESS REPORT

The Minister of State has seen your note of 31 August and agrees to the modification outlined in paragraph 3. He was glad to note (end of your paragraph 2) your intention to amend the papers to reflect the latest Ministry of Defence plans.

MWN

M W NORGROVE
Private Secretary



When you distribute,
cd you pl. put Mr Simpson's
(CISCO) ~~to~~ copy in an
envelope marked "Personal".

Revs ✓

M.

MINISTER OF STATE

FROM: E P KEMP
18 October 1984

cc Principal Private Secretary
PS/Chief Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Gilmore
Mr Jameson
Mr Judd
Mr Scholar
Mr Simpson
Mr Allan
Mr P Davis
Mr Truman
Mr Jordan
Mr Lord
Mr Beesley (EU)

CISCO

The purpose of this note is to draw your attention to, and make recommendations on, three important elements affecting CISCO's future, which derive directly from the increased thrust towards tendering-out of services such as catering. These proposals have been discussed with Mr Simpson of CISCO and are acceptable to him.

2. The root of the matter lies in the fact that CISCO are coming to the conclusion that, as presently constituted, they are likely to lose a good deal of their more profitable business when departments move to contracting-out. The main reason for this lies in CISCO's labour costs (see Annex A). The basic rates are not far out of line with what other "in-house" caterers incur, but they are quite considerably above the sort of rates which contractors employing casuals and the like have to bear. Neither CISCO nor ourselves see any way of ratchetting down CISCO's labour costs at present, at least not to the extent required to become competitive.

3. In order to enable them to retain some direct involvement in trading (which CISCO believe will be essential if their advisory role is to be performed successfully), CISCO want actively to encourage departments to consider the extension of the use of the managed Committee system for the

Handwritten notes in red ink:
1. Do we accept X "in" of absence.
The same CISCO from
The advisory, the better.
Internal elements to improve it
(What are points, too.
consequence of CISCO management
advising?)

presently directly run units. Under the managed Committee system departments would set up Committees to take over catering operations from CISCO. But a CISCO professional catering manager would be employed to be responsible on behalf of the Committee for all day-to-day catering and financial functions. The other restaurant staff would become non-civil servant employees of the Committee and be off the head count, and ineligible for Civil Service rates of pay and other conditions of service.

4. Such arrangements would not be a substitute for departments to test the catering market by tendering-out. Testing might be done after a department had moved to the managed Committee system, with the managed Committee competing against other comers; or (and in practice this seems to me more likely) the transition could be done simultaneously, so that a department which was testing the market would, it is hoped, be prepared simultaneously to accept the managed Committee system as an appropriate competitor. Should departments not want to go for the managed Committee system CISCO would have to make up its mind whether or not to enter into competition on the basis of its existing direct operations.

5. It seems to me that what CISCO propose has advantages, and provided a change to a managed Committee system is neither forced on departments nor gets in the way of a full testing of the market, I would recommend that we should go along with it.

6. The second point that has arisen concerns the question of the date for establishment of a Trading Fund. While not against a Trading Fund in principle, CISCO have serious doubts about the date of 1 April 1985. A principal reason for this is that with the increased drive on tendering-out in-house services since last December's announcement, CISCO are now unclear what will be the volume and pattern of their trading over the next year or so. One forecast which shows the bulk of CISCO's direct business disappearing by 1988 is at Annex B. They suggest it would be wrong to go forward with the Parliamentary procedure for a Trading Fund at the moment if doubts exist about CISCO's future trading position. (A lesser problem is that a considerable amount of work arises, all to be done alongside the other major changes stemming from last December's policy announcement. CISCO must complete this cleanly in time for the Trading Fund to get off to a good start). It is proposed, therefore, that, although the idea of moving to a Trading Fund should be retained, the target date should be moved to 1 April 1986.

7. I am prepared to recommend this, subject to one important proviso. One of the main objects of a Trading Fund is to ensure reflection of all the costs involved in the operation, so that these can be brought into account in competitive tendering and so that the accounts can show the success or otherwise of the management of the operation. CISCO's bookkeeping and accounting system, including the costings required in relation to tendering-out must, from 1 April 1985, be so conducted. Whether this is done on the basis of there being a full repayment service, or by introducing memorandum charges, or a combination of the two, is for study. One way or another, all costs and credits should be properly reflected. Provided this can be done, and we think it can, I would agree that it might be wise to defer the establishment of a Trading Fund to enable CISCO to carry out the work associated with it when things are less busy, and to enable us to see more clearly what the shape of CISCO and its future looks like in 12 months time. No public commitment has been made to a 1 April 1985 vesting day.

8. The third difficult point concerns the propriety of CISCO evaluating tenders. There is certainly a presentational awkwardness in CISCO's dual role - on the one hand as adviser to departments on catering matters and on the best tender to be adopted, and on the other as a potential tenderer, either directly or by association with a managed Committee. CISCO are quite sure that there need be no conflict of interest; the trading and evaluation functions will be kept quite separate and at arms length from each other. But they agree it is impossible to avoid the risk of criticism in such a situation from, say, a private contractor who lost out to CISCO in a competition.

9. This is not an easy one. There is the extremely remote possibility of a real conflict of interest, but a greater possibility of criticism. However, CISCO exists and is our catering adviser and it would be silly to have to duplicate its expertise all over departments. There is also the point that, when all is said and done, most individual catering contracts will be of relatively small value. After discussion between Public Purchasing Division, IRD and CISCO a compromise arrangement has been agreed. Evaluation of tenders when CISCO was one of the bidders should involve CISCO only marginally, eg provision of advice on procedures, documentation but no involvement in the final selection of tenderers nor in the award of the contract. But when CISCO had no direct interest in the tendering outcome they would be free to provide all the advice and assistance on

evaluation which a department may need. It would be made clear to departments that CISCO's role would vary according to the circumstances of their interest. If, however, a department did not wish CISCO to be involved in evaluation at any time then CISCO would stand back. (MOD, who have raised the issue of propriety, may be one of those who look elsewhere for evaluation advice.)

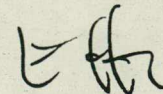
10. I recommend we go along on this compromise, at any rate to start with. You will appreciate that it is important to get a decision in this matter, since it is one of the last loose ends holding up the issue of detailed instructions on tendering-out to departments, and thus holding up the tendering-out exercise itself.

Conclusion

11. We shall want to discuss this way forward with departments and, as appropriate, the unions. But subject to unforeseen reactions and snags, I propose that :-

- a. CISCO should be allowed to advise any interested departments that managed Committees could be set up to take over catering responsibility in units currently run directly by CISCO, but this should not be instead of, or hinder moves to, tendering-out services where feasible (paragraphs 3 to 5 above).
- b. the target date for Trading Fund status for CISCO should be moved back to 1 April 1986, but CISCO should operate their accounts on the basis of being a full repayment service (or the like) from 1 April 1985 (paragraphs 6 and 7 above).
- c. CISCO should continue to be the source of advice on the letting and evaluation of tenders for catering services, but departments should be free to exclude CISCO and seek such advice elsewhere if they wish (paragraphs 8 to 10 above).

12. Interested Treasury Divisions have been consulted, and are content that this way forward be adopted.



E P KEMP

COMPARISON OF CATERING CONTRACTOR AND CISCO LABOUR COSTS

ANNE

CONTRACTED INDUSTRIAL CATERING (1) (Average basic pay)	GRADE	CISCO (1. 4. 83 rates)		
		Basic pay (incl minimum bonus) (2)	Supn Cost (17½%)	Total
£76.37 pw (full time)	Cook	£90.67 (FT)	£15.87	£106.54
£60.68 pw (full time)	Trainee Cook			
-	Asst Cook	£88.27 (FT)	£15.45	£103.72
1.57p - 1.73p p. h.	Cat Assistant)	2.19 p. h.	0.38 p h.	2.57 p. h.
1.69p - 1.77p p. h.	Kitchen Porter)			
1.61p - 1.72p p. h.	Service Assistant)			
1.70p - 1.86p p. h.	Waiter/tress)			
1.73p - 1.98p p. h.	Cashier	2.32 p. h.	0.41 p. h.	2.73 p. h.

NOTES

1. Statistical Review of the Hotel & Catering Industry published May 1984 and Caterer & Hotelkeeper Rates of Pay Survey (July '83 rates)
2. Minimum bonus is £6 pw JCC efficiency scheme. Productivity bonus payments in most MOD units are considerably higher.)
3. Superannuation cost excludes deficiency element.

CISCO TRADING AND ORGANISATIONCHANGES FORECAST FOR 1985-86 TO 1987-881. 1985-86

- a. 6 large direct units (£750K turnover) to tender - 3 to contract, 3 to managed committee.
- b. 5 small direct units to tender (£250K turnover) - 3 to contract, 2 to managed committee.
- c. 60 committees to change status - 40 to managed committee - 15 to contract - 5 to direct.
- d. 2 quasi-bodies to managed committee.

NET HQ STAFF/FINANCE WORK LOAD - 10% + 1% = -9%

2. 1986-87

- a. 25 med.size direct units to tender (£2M) - 8 to contract, 17 to managed committee.
- b. 5 small direct units to tender (£250K) - 3 to contract, 2 to managed committee.
- c. 100 committees to change status - 30 to managed committee - 60 to contract - 10 to direct.
- d. 2 quasi-bodies to managed committee.

NET HQ STAFF/FINANCE WORK LOAD - 30% + 2% = -28%

3. 1987-88

- a. 40 direct units to tender - 10 to contract, 30 to managed committee.
- b. 20 small direct units to tender - 10 to contract, 10 to managed committee.
- c. 100 committees to change status - 40 to managed committee, 60 to contract.
- d. 2 quasi-bodies to managed committee.
- e. By the end of 1987-88 the balance of the direct system will appear increasingly uneconomic, units would be encouraged to convert to contract or managed committee, or CISCO would need to devise a less costly management accounting system.

NET HQ STAFF/FINANCE WORK LOAD = -50%

4. By April 1988 100% of CISCO operating account as presently set up will either have gone or will be in process of revision. With it goes 87% of Finance/Personnel work involved in routine accounts processing and management of industrial staff. On the above projection the non-industrial professional catering staff will have increased.
5. The above time-scale and outcome is highly speculative.
6. A complete review of CISCO HQ structure would then be necessary.



FROM: MISS M O'MARA

DATE: 22 October 1984

cc PS/Chief Secretary
Sir P Middleton
Mr Bailey
Mr Anson
Mr Kemp
Mr Gilmore
Mr Jameson
Mr Judd
Mr Scholar
Mr Simpson
Mr Allan
Mr P Davis
Mr Truman
Mr Jordan
Mr Lord

PS/MINISTER OF STATE

CISCO

The Chancellor has seen Mr Kemp's submission of 18 October. He has commented that he does not accept that it is essential for CISCO to retain some direct involvement in trading, he believes that the sooner CISCO becomes purely advisory, the better. He has noted that this would also eliminate the problem over the conflict of interest. He has enquired what manpower consequences would follow if CISCO became purely advisory.

MOM
MISS M O'MARA



FROM: APS/Minister of State

DATE: 22 October 1984

MR KEMP

cc PPS
PS/Chief Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Gilmore
Mr Jameson
Mr Judd
Mr Scholar
Mr Simpton
Mr Allan
Mr P Davis
Mr Truman
Mr Jordan
Mr Lord
Mr Beesley - EU

CISCO

The Minister of State has seen your minute of 18 October. He has commented that on the basis that the tendering out exercise has priority he agrees your proposals, although he is anxious that there should be no further delay in switching to a Trading Fund. As the Minister understands your paragraph 7 we will have all the essentials of the Trading Fund arrangements as from 1 April 1985 with the legal change following on 1 April 1986.

Debbie McCambridge

MISS D C McCAMBRIDGE
Assistant Private Secretary



FROM: APS/Minister of State

DATE: 24 October 1984

MR KEMP

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Gilmore
Mr Jameson
Mr Judd
Mr Scholar
Mr Simpson
Mr Allan
Mr P Davis
Mr Truman
Mr Jordan
Mr Lord

29

CISCO

The Minister of State has seen Miss O'Mara's minute of 22 October containing the Chancellor's comments on your submission of 18 October. He would be grateful for your comments on how a purely advisory CISCO will square with the Rayner Review et al which was endorsed by Departments, the Prime Minister and reported to staff and unions, and Parliament as well he thinks.

Debbie McCambridge

MISS D C McCAMBRIDGE
Assistant Private Secretary

CISCO

Prayer for

FROM: E P KEMP
26 October 1984

MINISTER OF STATE

- cc PS/Chancellor ✓
- PS/Chief Secretary
- Sir Peter Middleton
- Mr Bailey
- Mr Anson
- Mr Gilmore
- Mr Jameson
- Mr Judd
- Mr Scholar
- Mr Simpson
- Mr Allan
- Mr P Davis
- Mr Truman
- Mr Jordan
- Mr Lord

C
 We gather MST is rather concerned
 about his a way round it at
 Prayers.

MST
 26/10

CISCO

Miss McCambridge's minute of 24 October referred to Miss O'Mara's minute of 22 October, and asked for my comments on the purely advisory CISCO.

2. To go back in history a little, CISCO was the subject of a Rayner Scrutiny which reported early last year, following which the Government made the statement at Annex A. After inter-departmental study, the further statement at Annex B was made last December. Both these statements were cleared with Ministers collectively, including the Prime Minister. The statement at Annex B accepted that CISCO had a dual role; on the one hand the provision of catering advice, and on the other a provision of the actual catering itself. It made clear, of course, that in the latter function CISCO was to be subject to fair competition from private contractors but implied that CISCO was expected to have a reasonably secure long-term life, though not necessarily at the same size as it is now, by proposing in principle that it should be established as a Trading Fund. Copies of Ministerial correspondence of last December are at Annex C.

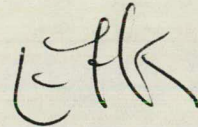
3. Since December we have been working with CISCO, with Departments and (as appropriate) the Civil Service unions to put these various policies into effect. One significant development which took place since December was of course the sharpening of the thrust towards competition and contracting-out throughout the public services and particularly central Government, which is

being applied to CISCO, and catering, as much as elsewhere. Partly as a result of this, it looks as though the rundown on CISCO's operational side is likely now to be faster and sharper than might previously have been the case, as a consequence of which I recommended in my minute of 18 October, and you agreed, that we should defer the planned date for the Trading Fund from 1 April 1985 to 1 April 1986 so that we can see more clearly what sort of entity CISCO might be for the longer-term. This is necessarily uncertain, but Annex B to my minute of 18 October showed that on one scenario much of CISCO's operational side could have vanished or be in the process of revision by April 1988.

4. I think this shows that events are anyway taking us in the direction the Chancellor suggests. But there remains, of course, the question of pace. My view is that the pace we may expect - as illustrated in the scenario I have just referred to - is in the circumstances a fairly fast one and that it would not be sensible to try to press it more. There are two main reasons for this. First, any faster pace would, I think, be seen as inconsistent with the statements made last year, which I have just referred to. Second, we have to start from where we are; CISCO still comprises over 1,000 people, and the changes out to be made at a pace which makes operational, managerial and financial sense for them, for Departments, and indeed for the catering industry.

5. As I say, it is not easy to be precise about the longer term future of CISCO. Given that the Government like most employers, will still want to ensure that reasonable catering facilities are provided for staff, it seems possible that come 1988 or thereabouts CISCO may be left with a residue of staff engaged in (a) advisory functions to the Treasury and, if they so wished, Departments; (b) managing, if Departments so wished, Departmental "Managed Committees" where the catering staff themselves are not civil servants; and (c) actual catering operations in which private contractors are not interested or where CISCO are cheaper (probably small, awkward or unattractive locations). The size of a CISCO of this kind might be of the order of 350. A purely advisory CISCO covering only common tariffs, contracting-out, hygiene inspection, planning support for catering establishments and catering advice generally might need say 30 people (though there could be a consequential additional demand for staff in some Departments).

6. To summarise, it seems to me that the way forward we are now on is a reasonable reconciliation between on the one hand the position as we have it today and the statements that have been made, and on the other hand implementing the privatisation and contracting out policies which we have, and that it would be undesirable to try to force the pace any more. It would be helpful if this could be confirmed; we are in fact ready now to issue detailed guidance to Departments on competitive tendering for catering operations, and we would not want this held up by the need to make any changes which might follow from a shift in approach.



E P KEMP

Reference _____

1 FEBRUARY 1983

Written Answers

84

Civil Service Catering

Mr. Forman asked the Chancellor of the Exchequer whether he will make available a copy of the Rayner report of the scrutiny of Civil Service catering; and what action he proposes to take on it.

Mr. Hayhoe: I have arranged for a copy of the report to be placed in the Library of the House, together with a copy of the Government's statement on it which is being circulated to all civil servants.

CODE
18-78

GOVERNMENT STATEMENT ON THE SCRUTINY REPORT ON
CIVIL SERVICE CATERING

The Government warmly welcomes this Report of the Scrutiny Team that has examined Civil Service Catering, and is grateful to Marks & Spencer for providing the services of Miss Sybil Barnes, Head of Catering, as one of the two examining officers and for allowing her to continue as a consultant. The other examining officer was Mr Adrian Carter, Principal, HM Treasury.

2. The Report is being published today. Some discussion of it has already been held with the Civil Service unions. There will now be wider consultation.

3. The Team found that, on the whole, catering facilities available to civil servants are less accessible; are used less; and receive a smaller subsidy than those offered by many other major employers. The Government accepts that more money needs to be spent on improving the provision of meals to its employees, and that efforts should be made to improve accessibility and usage.

4. The Report makes a number of suggestions designed to improve the cost-effectiveness and the quality of Civil Service catering. It also discusses alternative strategies for tackling what it describes as the fundamental problems of low access and low usage. The Report suggests that the most cost-effective way of dealing with these problems at manageable cost might be found through the provision of much simpler, sandwich-based dining facilities with subsidy concentrated on food and capital expenditure concentrated on the dining room rather than the kitchen. The key to the success of such a strategy would lie in customer acceptability and in proven cost-effectiveness. The Report recommends that a pilot programme be established to test this strategy and a first pilot project to test the "sandwich" strategy has already been set up in an Inland Revenue office; others will start shortly in two DHSS local offices.

5. At the same time the Government recognises that, in an organisation as large and varied as the Civil Service whose staff is scattered at many different locations throughout the country - and with a wide variety of existing catering facilities - there can be no question of imposing a standard pattern at all sites irrespective of local circumstances and the views of the staff. There are at present many successful Civil Service restaurants run on more conventional lines, especially in the larger Government offices. Different arrangements will be appropriate at different locations. The Government believes that other pilot projects should take place to test alternative strategies. Six will start shortly.

6. Up to £1m will be made available in this year and in 1983/84 to carry out and evaluate the overall programme of pilot projects. The evaluation will take into account the needs of offices, including local offices, where there are no catering facilities at present.

7. The Government also intends to review, by June 1983 and in consultation with the Civil Service unions, the other major issues considered by the Scrutiny, in particular the future role of CISCO, the scope for using more outside contractors, and the subsidy arrangements. The Government is prepared to make further money available in support of Civil Service catering. The scale and nature of these additional resources will be determined in the light of the outcome of this review and of the pilot projects.

8. Meanwhile there are three recommendations in the Scrutiny Report on which decisions have been taken:

a. Policy responsibility for Civil Service catering will be kept in the Treasury, rather than being moved to the Management and Personnel Office.

b. The recruitment of new managers and necessary major building work will continue pending the review of the major issues identified in the Scrutiny.

c. The consideration of catering staff wage rates will be deferred until discussions take place with the unions on industrial pay generally.

Extract from Hansard
Thursday 22 December 1983

379 Civil Service Catering

1983

Written Answers

380

Mr. Chope asked the Chancellor of the Exchequer if the review of major issues considered by the scrutiny of Civil Service catering has been completed; and if he will make a statement.

Mr. Hayhoe: Following the report of the scrutiny team which examined Civil Service catering, the Government said on 1 February last that they intended to review the major issues raised by the report in relation to the future role of the Civil Service Catering Organisation (CISCO), the scope for using more outside contractors and the subsidy arrangements. This review has now been carried out.

The Government's conclusion is that the responsibility for the provision of catering for the Civil Service is primarily that for Departments, which must themselves meet the costs involved. CISCO will retain central control to enable consistency of standards to be achieved across the whole range of Civil Service catering facilities. In carrying out their responsibilities Departments will normally rely on CISCO to provide advice and guidance on all aspects of catering.

Catering services will be open to competition. CISCO will provide such services where Departments wish to use them, but Departments will also be able to use contractors from outside the Civil Service, as indeed happens in a few cases at present. It is the intention that contractors and CISCO should compete for Departmental catering work on an equal footing.

Many Civil Service restaurants are currently run by Departmental committees. As opportunity arises, Departments will be able to move to a more professional style of management, involving the use of CISCO or of outside contractors, as they may choose.

CISCO will continue to charge Departments for services rendered in respect of advice and, where

appropriate, for the actual provision of catering services. Plant and equipment required in the provision of catering services will normally be provided by the Department, whether for the use of CISCO or of a private contractor, as will accommodation, light and heat and cleaning.

In the interests of encouraging efficiency and accountability, it is proposed that CISCO should be established as a trading fund under the Government Trading Funds Act 1973. The trading fund will be set an appropriate financial target reflecting its own costs and income, plus other suitable non-financial indicators of performance.

The scrutiny report criticised the present subsidy arrangements as over-complicated. A new and simpler basis is proposed. An annual global sum will be determined based on the current level of subsidy. CISCO will prepare a framework tariff calculated on the basis of the global sum which is available and that tariff will be related to specifications of quality and quantity. The organisation providing the catering (whether CISCO, a Departmental committee or a private contractor) will, where necessary, be paid by the Department for providing such a tariff on the basis of fixed price quotations settled in advance each financial year. Departments will have discretion, subject to normal Treasury financial controls, to vary the standard of service or tariff so determined. Where an enhanced service is provided it will be necessary for the Department to meet any additional costs involved.

In the statement of 1 February the Government said that up to £1 million in total would be made available to carry out and evaluate an overall programme of pilot projects looking at alternative ways of providing catering within the Civil Service. This programme is under way, and the results of the projects will be evaluated when each has run its course.

The statement of 1 February said that the Government accepted that more money needed to be spent on improving the provision of meals to their employees. In view of the criticisms in the scrutiny report of substandard facilities in some areas of Government catering, the Government therefore propose to provide a further sum of £1.65 million per annum over the five years beginning in 1984-85 in support of a special programme for the enhancement of catering facilities in Departments. Taken with increased departmental flexibility, the Government believe that this will improve accessibility and lead to greater usage by civil servants of the facilities provided.



10 DOWNING STREET

From the Private Secretary

19 December 1983

Dear Mike,

Review of Civil Service Catering

Thank you for your letter of 9 December with which you enclosed a draft statement on the review of Civil Service catering.

The Prime Minister is content with the terms of the draft statement, and agrees that it should be issued before the Recess. The Prime Minister would also be grateful if your Minister of State could agree individual targets with Departments for implementation of the new policies, and then monitor their achievement, as proposed in paragraph 3 of Sir Robin Ibbs' minute to her of 14 December.

I am sending copies of this letter to Mary Brown (Lord Gowrie's Office), Richard Hatfield (Cabinet Office) and Ian Beesley (Efficiency Unit).

*Yours ever,
David*

David Barclay

MINISTER OF STATE	
REC.	20 DEC 1983
ACTION	Mr C C Allan
	PSL Chancellor
	Mr Middleton
	Mr Barber, McKemp
	Mr Wilding

*Mr Gilmore
Mr Simpson*

*Mr Hull
Mr Jordan
Mr Lord
MST*

Mike Corcoran, Esq.,
Mr. Hayhoe's Office.

HS 16 DEC 1983 - 16

MINISTER OF STATE	
REG.	16 DEC 1983
ACTION	Mr C.C. Arnold
	PS/Chancellor
	Mr Middleton
	Mr Bailey
	Mr Kemp

Mr Withing
 Mr Gilmore
 Mr Simpson
 Mr Hall
 Mr Jordan
 Mr Lord
 MST

PRIME MINISTER

REVIEW OF CIVIL SERVICE CATERING

The Private Secretary to the Minister of State, HM Treasury, wrote to your Private Secretary on 9 December about the follow up to the scrutiny done with the assistance of the head of catering at Marks & Spencer.

2. I welcome the Minister's proposals and I consider they provide a good framework for the future. They should enable departments to improve the value for money of their catering services and to make more use of the private sector. Making the Civil Service Catering Organisation a Trading Fund should also signal clearly that in-house provision must be business-like too.

3. Putting the new policies into practice is rightly a matter for departments: they are best placed to judge how to use the catering resources to meet the needs of their operations. However although the proposals would enable departments to improve the value obtained from their catering funds, they do not in themselves force them to do so. They need to be accompanied by clear targets for achievement. You might ask the Minister of State to agree with departments their targets year by year - particularly for introducing competition and for increasing usage - and to monitor achievement against them on your behalf.

4. I am copying this minute to Barney Hayhoe, Lord Gowrie and Sir Robert Armstrong.

Robin Ibbs

pp

Robin Ibbs (Approved by Sir Robin and signed in his absence.)
 14 December 1983

6/b1

Mr O'Connell
for etc
file - a
destroy it
down and
add copies
AS set



cc PS/Blancellor
Mr Middleton
Mr Kemp
Mr Hilding
Mr Gilmore
Mr Allen
Mr Simpson
Mr Hall
Mr Jordan
Mr Lord
Mr Beesley -
Efficiency Unit

Treasury Chambers, Parliament Street, SW1P 3AG

David Barclay Esq
10 Downing Street
LONDON SW1

9 December 1983

David Barclay

REVIEW OF CIVIL SERVICE CATERING

The review of the major issues raised in the scrutiny report on Civil Service catering has been completed. My Minister of State proposes to issue the attached statement, by way of an Answer to a PQ, before the Recess.

The main developments to be announced are the introduction of a simplified subsidy system (among other things, this will open the way for outside contractors to compete for business); the conversion of the Civil Service Catering Organisation into a Trading Fund; and the launching of a five-year programme aimed at improving catering equipment and premises at an additional cost of £1.65m a year (there is PES provision).

The money to be spent on improving facilities is in line with the Prime Minister's view that more investment in equipment is needed - Timothy Flesher's letter of 29 December 1982. The Prime Minister also mentioned managerial training: the change to a Trading Fund, increased competition, and the disciplines imposed by the new subsidy system should all contribute to this.

The new subsidy system (described at Annex 'A') is far simpler than the existing arrangements, which the Prime Minister regarded as being complicated. The important point is that the new system puts contractors on an equal footing with CISCO.

It is not proposed to increase the direct subsidy on Civil Service catering. That will, of course, be unwelcome news for the staff generally, but it would be unrealistic to promise more money when none is available. The Minister of State believes that the investment programme of £1.65m a year for five years can be said to meet the undertaking in the statement of 1 February that the Government is prepared to make further money available in support of Civil Service catering.

10/60

The programme of pilot projects, testing alternative catering strategies, will continue until all have been completed. The results will then be evaluated to see whether any of the strategies are worth adopting more widely.

Once the statement has been issued, discussions will be held with departments on the operation of the new subsidy system. The aim will be to move CISCO to a Trading Fund as soon as practicable next year.

The proposals are acceptable to the Minister of State, Privy Council Office, and to the Head of the Efficiency Unit, who have been consulted throughout.

I am copying this to Mary Brown, to Private Secretaries to Ministers in charge of Departments, to Richard Hatfield (Cabinet Office), and to Ian Beesley; and I should be grateful for comments by next Friday, 16 December.

James Swirely
Michael Corcoran

M E CORCORAN
Private Secretary

Yes.
Problems are being
addressed by
the MS1.



~~Handwritten scribbles in red ink, possibly a signature or initials.~~



we need to mount out
your response. Is it fair
to say that in the light of
the public statement already
given and the fact that CISCO's
operational role is likely to
contract quite rapidly in any
case, you wouldn't want to
push for a purely advisory
function at this stage?

Sir P Middleton's office indicated
this was the tenor of your
discussion with him.

mom
1/n

I missed this, you'll
recall. Mum

Note
Discussed with
PEM, 31/10
KLP 1/11



FROM: M W Norgrove

DATE: 29 October 1984

PS/CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
Sir Peter Middleton
Mr Bailey
Mr Kemp
Mr Anson
Mr Gilmore
Mr Jameson
Mr Judd
Mr Scholar
Mr Simpson
Mr Allan
Mr P Davis
Mr Truman
Mr Jordan
Mr Lord

? Tomorrow
(31/10) ?
OK? To discuss x
at your next bilateral
with Peter Middleton?
Mom
29/10
Yes

CISCO

You will by now have seen Mr Kemp's minute of 26 October. The Minister of State's view is that guidance to Departments on competitive tendering should be issued now and the position should then be reviewed in 6/9 months.

X | The Minister thinks this is also a good moment to make a determined effort to shed the Treasury's responsibility for CISCO.

M W NORGROVE
Private Secretary

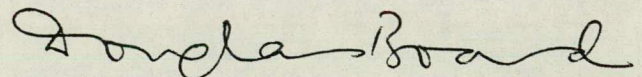
FROM: D R H BOARD
DATE: 30 October 1984

PS/MINISTER OF STATE

cc PS/Chancellor
PS/Chief Secretary
Mr Bailey
Mr Anson
Mr Kemp
Mr Gilmore
Mr Lord

CISCO

Sir Peter Middleton has seen your minute of 29 October recording the Minister of State's view that the Treasury might now lose its responsibility for CISCO. Unfortunately, Sir Peter sees no chance of doing this at present.



D R H BOARD
Private Secretary



FROM: APS/Minister of State

DATE: 31 October 1984

MR KEMP

cc PS/Chancellor
PS/Chief Secretary
Sir Peter Middleton
Mr Bailey
Mr Anson
Mr Gilmore
Mr Lord

CISCO

The Minister of State has seen Sir Peter Middleton's comments as set out in his Private Secretary's minute of 30 October. He has since spoken to Sir Peter Middleton and "suggested ways in which we might now make progress in passing CISCO to MPO - where it should always have been - as was generally accepted in 1982 although there were good reasons for not changing then".

Debbie McCambridge

MISS D C MCCAMBRIDGE
Assistant Private Secretary



FROM: MISS M O'MARA

DATE: 2 November 1984

cc PS/Chief Secretary
Sir P Middleton
Mr Bailey
Mr Kemp
Mr Anson
Mr Gilmore
Mr Jameson
Mr Judd
Mr Scholar
Mr Simpson
Mr Allan
Mr P Davis
Mr Truman
Mr Jordon
Mr Lord

PS/MINISTER OF STATE

CISCO

The Chancellor has seen Mr Kemp's minute of 26 October and your own minute of 29 October. In the light of the public statements already given and the fact that CISCO's operational role is likely to contract quite rapidly over the coming months as a result of the sharpened thrust towards competition and contracting-out, the Chancellor is content to proceed as the Minister of State recommends.

MOM

MISS M O'MARA