

PART 5

CONFIDENTIAL FILING

Government Purchasing Policy and
the "Buy British" Policy

In attached folder: Government Purchasing
Progress Report to the Prime Minister

TRADE

PT 1 = AUGUST 1979

PT 5 = NOVEMBER 1987

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
3.11.87							
9.11.87							
17.11.87							
7.12.87							
14.1.88							
29.4.88							
6.5.88							
9.5.88 (PA)							
11.5.88							
7.11.88							
6.11.88 (A)							
21.8.89							
PART ENDS							

PREM 19/2878

PART 5 ends:-

SS / emp to PMG 8/12/89

PART 6 begins:-

PMG to PM 15-3-90



CCP

NBBM

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

ARCO

11/12

Telephone 01-273 . . . 5802
Telex 915564 Fax 01-273 5821

Secretary of State

The Earl of Caithness
Paymaster General
HM Treasury
Treasury Chambers
Parliament Street
LONDON SW1P 3AG

Dear Mr. Caithness
will obtain 1/19/12

Thank you for copying to me your letter to Douglas Hurd of 13 November.

I am encouraged to see how well Departments have responded to the purchasing initiative. My own Department which achieved the five per cent target some time ago has not rested on its laurels but has continued to make significant progress in this area.

I fully support the proposals to retain the annual five per cent target, incorporating two per cent savings from new initiatives, and imposing a three year time limit to savings arising from previous years. I am sure that this approach will put pressure on departments to continue to search for new savings.

As in previous years, I shall continue to take a close and direct personal interest in the progress my Department is making in implementing the purchasing initiative. I consider it vital that the momentum we have achieved is maintained.

I was particularly pleased to see in the Annual Report the prominence accorded to our strategy of opening up opportunities within public sector purchasing for smaller firms and the recent success of our joint publication, "Think Big, Buy Small".

As you will know, the consultant we are part funding with yourselves has now been appointed and will shortly take up post in the Central Unit on Purchasing. I am taking this opportunity to draw colleagues' attention to this, as he will need to make a



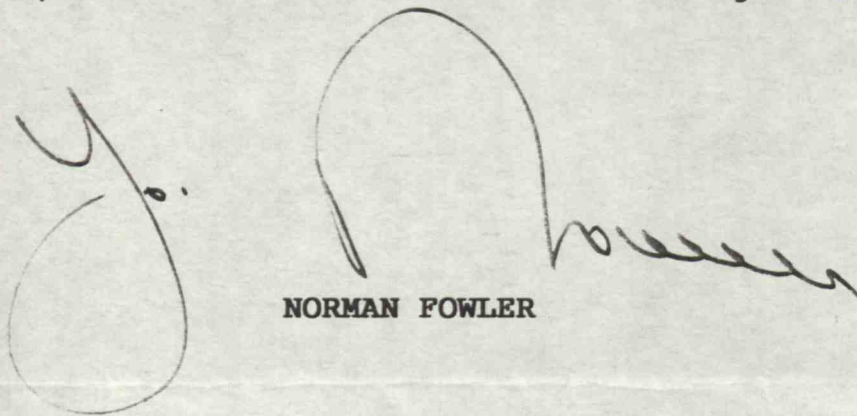


Secretary of State
for Employment

series of early visits to Directors of Purchasing in a number of departments. I know they will afford him every co-operation. I very much hope that the work will result in concrete improvements which we will be able to demonstrate publicly.

Once that work is well underway, my colleague Tim Eggar, who now has responsibility for small firms, hopes to continue the bilateral meetings with colleagues started by John Cope. I would be very pleased if Mike Willacy, your Head of CUP, were able once again to accompany him at these meetings.

I am copying this letter to the Prime Minister and other members of the Cabinet, to Richard Luce, Lynda Chalker, Patrick Mayhew and Peter Fraser, and to Sir Robin Butler and Sir Angus Fraser.



NORMAN FOWLER





NBPM

aws 14/4

CCPL

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Douglas Hurd CBE MP
Secretary of State
Foreign and Commonwealth Office
Downing Street
LONDON SW1A 2AL

13 November 1989

See Douglas.

CENTRAL UNIT ON PURCHASING: 1989 REPORT

I enclose the Annual Report for 1989 by the Central Unit on Purchasing (CUP). The Prime Minister has agreed that this should be published towards the end of November with a Press Notice and arranged Parliamentary question.

The Report is prefaced by an executive summary by the Director, Mr Michael Willacy, which gives an overview of what has been achieved by departments and by CUP in the past year, together with current developments. The main points covered by the Report are set out in the Annex to this letter.

The Report is the third since CUP became fully operational in 1986. It shows that in 1988-89 civil departments achieved value for money improvements from purchasing which exceed the 5 per cent target set by Ministers when the initiative began in 1984. Targets totalling over £450 million, equivalent to over 6 per cent, have been set for 1989-90. Significant progress has also been made in the organisation and management of purchasing and supply staff, with the launch and introduction of the purchasing and supply function into departments.

It is clear from the Report that a great deal has been achieved since 1984, but the drive for improvement needs to be continued and sustained. In particular, we need to reformulate the savings targets so that they continue to present departments with both scope for continuing improvement and a strong challenge to find new ways of getting better value for money in purchasing.

The original target of 5 per cent undoubtedly provided a stimulus for immediate action and has resulted in the achievement of significant value for money improvements since 1984. Its drawback

is that it now relies too heavily on continuing savings, arising from purchasing decisions taken in previous years. A good deal of purchasing expenditure is committed within long-term contracts and capital projects and some recognition of continuing savings is appropriate, but as time goes on these have become increasingly difficult to verify.

I propose, therefore, that we should retain the annual 5 per cent target, but from next year operate this in a way which places more emphasis on current performance. I propose that this should be done in two ways. Firstly, a time limit (normally 3 years) should be put on the period that savings arising from actions taken in previous years should be allowed to count towards the target. Secondly, within the annual 5 per cent target, at least 2 per cent should come each year from new purchasing savings arising from actions taken during the current year.

Almost all departments have accepted, for 1989-90, a savings target of at least 2 per cent resulting from purchasing initiatives taken during the current year. The new development I am proposing for next year is thus the time limit on previous savings. With the Prime Minister's agreement, I am asking CUP to discuss with departments how a new formulation of the targets on these lines can be put in place. Departments' targets for next year will be reported to Ministers in the next CUP Annual Report.

Finally, I would strongly urge all Ministers in charge of departments to continue to take a direct personal interest in their departments' response to the purchasing initiative, both in the implementation of the purchasing targets, and also in the creation of effective purchasing organisations drawing on the skills of members of the new Purchasing and Supply function. Continuing Ministerial interest and encouragement in this area is vital if we are to maintain momentum and obtain the improvements we seek.

I am copying this letter and enclosures to the Prime Minister and other members of the Cabinet, to Richard Luce, Lynda Chalker, Patrick Mayhew and Peter Fraser, and to Sir Robin Butler and Sir Angus Fraser.

Jan Eve
Malcolm

THE EARL OF CAITHNESS

KEY POINTS FROM THE CUP PROGRESS REPORT TO THE PRIME MINISTER 1989

Director's Summary - Pages 1-7 - provides an overview

Section 1 Results and Targets - Pages 8-9

- Departments have reported value for money (VFM) improvements which equate to £358 million or 5.3 per cent of total purchasing spend in 1988-89.
- Aggregate reported savings since 1985-86 are equivalent to some £850 million.
- To ensure that further VFM improvements are secured CUP will, in 1989-90, continue to monitor the targets set by departments, which average 6.1 per cent (equivalent to £453 million) on the existing basis.
- CUP have also asked departments to supplement these basic targets with a separate target which focuses on current performance. This separate target involves achieving savings of at least 2 per cent of purchasing spend, through purchasing decisions made during the current year. All departments have agreed to set a separate target in this form for 1989-90, and all except for PSA have set it at 2 per cent or more; PSA in consultation with CUP have targeted a 1 per cent improvement.
- All departments, in consultation with CUP, are developing detailed action plans covering areas of purchasing activity where there is scope for improvement.

Section 2 Organisation, Systems and Staff - Pages 20-35

- Twenty eight departments now have some kind of central purchasing unit, acting as a focus for their purchasing activities. Twenty six have completed management studies of their purchasing operation and a similar number have set in place a mechanism to regularly review delegated authorities.
- Some progress has been made on the development of purchasing information systems, although much more needs to be done. This is a priority area for CUP in the coming year.
- A new personnel management framework for staff engaged in purchasing and supply (the Purchasing and Supply function), was launched in June. Departments' Action Plans for implementing the new arrangements will be developed by the end of 1989.
- CUP continues to act as catalyst in all areas of purchasing training opportunities; although the primary responsibility still remains with departments. It has developed 8 courses on purchasing themes with the Civil Service College and participated in 17 training sessions during the year.
- CUP is actively supporting an agreement between the Institute of Purchasing and Supply and Bath University to establish a Readership to develop and promote high quality, practically orientated research in purchasing and supply, at both undergraduate and post-graduate level.
- Three Newsletters and 12 Guidances have been produced during 1989.

Section 3 The Central Purchasing Agencies - Page 37-40

- Departments are progressively untying from the central purchasing agencies and are slowly developing the expertise and information systems necessary to exert full competitive pressure on the agencies.
- The agencies have responded positively to these pressures, with measures to provide departments with a more competitive service.

Section 4 Works and Major Capital Projects - Pages 42-43

- CUP has been directly involved in the development of 'ownership' responsibilities with departments and a more commercial approach to project management. The process of change is continuing, but it is too early to assess the effectiveness of the new arrangements due to the long timescales inherent in capital and works projects. Nevertheless, benefits are already apparent to project sponsors and cost overruns on road projects have been reduced.

Section 5 Suppliers, Consumers and Quality - Pages 45-49

- There has been a significant movement in standards and quality over the last year: departments with 85 per cent of purchasing spend each report that they have an officer responsible for quality matters.
- CUP collaborated with the Department of Employment in launching an initiative in May 1989, with the publication of guidance (entitled "Think Big Buy Small") on purchasing from small firms.

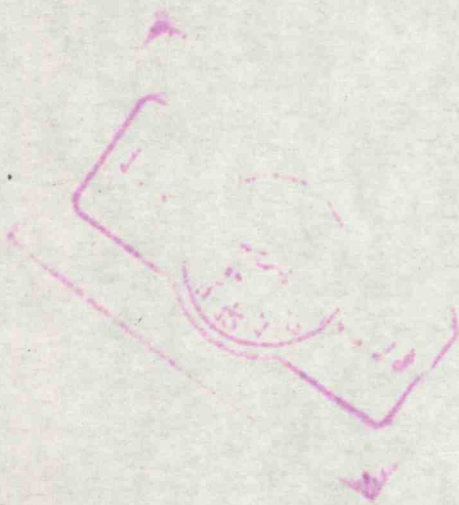
Section 6 Market Testing in the Civil Service - Pages 51-52

- During 1989, departments market tested activities costing £39 million and identified savings of £9.6 million.
- Some 78 per cent of the activities market tested during the year were contracted out.
- Cumulative annual savings through market testing in the Civil Service are now running at an estimated £50 million.

Appendix A (Page 53) - Sets out a detailed analysis of departments' achievements under the initiative and provides individual examples of VFM savings made by a department.

Appendix B (Page 64) - Sets out in chronological order the activities CUP has been involved in and its outputs during the year.

Appendix C (Page 68) - Lists the guidances and checklists produced by CUP.



file
MBA



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

6 November 1989

Dear Malcolm,

CENTRAL UNIT ON PURCHASING: 1989 REPORT

The Prime Minister was grateful for the Paymaster General's submission of 3 November enclosing the Annual Report for 1989 by the Central Unit on Purchasing. She endorses the Paymaster General's two proposals as set out in his minute on tightening existing targets and on the need for all Ministers in charge of Departments to take a direct personal interest in these matters. She also agrees that the Report should be published towards the end of November, with an arranged Parliamentary Question and a press release.

I am copying this letter to Trevor Woolley (Cabinet Office) and Sir Angus Fraser (Cabinet Office).

*Yours sincerely,
Caroline Slocock*

CAROLINE SLOCOCK

Malcolm Buckler, Esq.,
Paymaster General's Office
HM Treasury

MB

MANAGEMENT IN CONFIDENCE

FROM: PAYMASTER GENERAL
DATE: 3 NOVEMBER 1989

Prime Minister!

Content to endorse the two proposals below?

Content for the report to be published towards the end of November?

PRIME MINISTER

CENTRAL UNIT ON PURCHASING: 1989 REPORT

I enclose the Annual Report for 1989 by the Central Unit on Purchasing (CUP). The Report is prefaced by an executive summary by the Director, Mr Michael Willacy, which gives an overview of what has been achieved by departments and by CUP in the past year, together with current developments. The main points covered by the report are set out in an Annex to this minute.

2. The Report is the third since CUP became fully operational in 1986. It shows that in 1988-89 civil departments achieved value for money improvements from purchasing which exceed the 5 per cent target set by Ministers when the initiative began in 1984. Targets totalling over £450 million have been set for 1989-90. The conclusions of the Report, which I endorse, are that the drive for improvement needs to be continued and sustained.

3. Now that the 5 per cent target has been achieved, it needs to be reformulated in a way which places more emphasis on current performance and which will present a more demanding challenge to departments. I propose:

i. the annual 5 per cent target should remain in place, but that a time limit (normally 3 years) should be put on the period that savings arising from actions taken in previous years should be allowed to count towards it. Within the main 5 per cent target, at least 2 per cent should come from new purchasing savings arising out of actions taken during the current year; and

ii. to ask all Ministers in charge of departments to continue to take a direct personal interest in their departments' response to the purchasing initiative.

MANAGEMENT IN CONFIDENCE

MANAGEMENT IN CONFIDENCE

4. I would welcome your endorsement of these proposals and hope that you would also be prepared to underline the second point in your own discussions with Ministers about progress in securing value for money from their programmes. There is considerable public interest in the purchasing initiative, and previous CUP reports have been published. If you agree, therefore, I will publish this Report towards the end of November, with an arranged Parliamentary Question and a press release.

Agreed

5. I am sending copies of this minute and the Report to Sir Robin Butler and Sir Angus Fraser.


THE EARL OF CAITHNESS

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- To ensure that further VFM improvements are secured CUP will, in 1989-90, continue to monitor the targets set by departments, which average 6.1 per cent (equivalent to £453 million) on the existing basis.
- CUP have also asked departments to supplement these basic targets with a separate target which focuses on current performance. This separate target involves achieving savings of at least 2 per cent of purchasing spend, through purchasing decisions made during the current year. All departments have agreed to set a separate target in this form for 1989-90, and all except for PSA have set it at 2 per cent or more; PSA in consultation with CUP have targeted a 1 per cent improvement.
- All departments, in consultation with CUP, are developing detailed action plans covering areas of purchasing activity where there is scope for improvement.

Section 2 Organisation, Systems and Staff - Pages 20-35

- 28 departments now have some kind of central purchasing unit, acting as a focus for their purchasing activities. 26 have completed management studies of their purchasing operation and a similar number have set in place a mechanism to regularly review delegated authorities.
- Some progress has been made on the development of purchasing information systems, although much more needs to be done. This is a priority area for CUP in the coming year.

- A new personnel management framework for staff engaged in purchasing and supply (the Purchasing and Supply function), was launched in June. Departments' Action Plans for implementing the new arrangements will be developed by the end of 1989.
- CUP continues to act as catalyst in all areas of purchasing training opportunities; although the primary responsibility still remains with departments. It has developed 8 courses on purchasing themes with the Civil Service College and participated in 17 training sessions during the year.
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Secretary of State

BF 25/9
hwe
MS

Caroline Slocock
Private Secretary to the Prime Minister
10 Downing Street
LONDON
SW1

21 August 1989

Dear Caroline

Thank you for your letter of 27 July. You asked for advice on points raised by Sir Hector Laing at a meeting the Prime Minister had with community entrepreneurs, concerning prompt payment by Government. You also drew attention to Sir Hector's comments on Training and Enterprise Councils (TECs).

Sir Hector suggested that Government Departments should issue an instruction to make sure that their bills are paid promptly. The Treasury's guide to Departments on "Government Accounting" does contain a firm instruction that payments should be made as quickly as possible in accordance with the agreed terms of trade. All Departments have to comply with these rules.

The Employment Department is particularly keen to encourage better payment practices as part of its role in promoting the creation and growth of small firms and of a positive environment for entrepreneurial skills. Our booklets "Payment on Time", published in 1986 and the revised edition "Prompt Payment Please" published last year, were circulated widely throughout industry, and aim to foster closer cooperation between buyers and suppliers. I enclose a copy of each.

Not attached
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The booklet were also sent to all Government purchasing departments, and in the case of the launch of "Prompt Payment Please" a letter was sent stressing the importance of Government Departments setting an example.



Employment Department · Training Agency
Health and Safety Executive · ACAS



Secretary of State
for Employment

From the information available, Government Departments appear to have a relatively good payment record in comparison to private industry. However, this is not a matter for complacency, and we have plans to follow up our earlier letter to Government purchasing departments reminding them of their responsibilities to pay their bills promptly. Naturally we would also be keen to investigate any specific examples of delayed payment by Government Departments which Sir Hector may quote.

On the progress of Training and Enterprise Councils, you will have seen recently that development funding has now been awarded to the first 25 TECs. The Employment Department and Training Agency are working closely with all concerned (including the Treasury) to ensure that the new system is launched with the best possible arrangements to secure success.

Yours

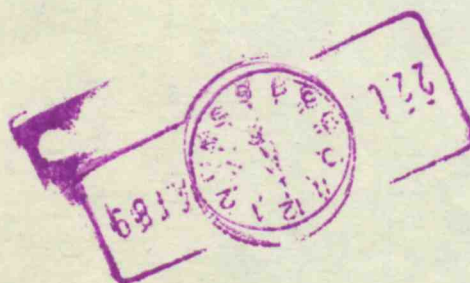
Anne Marie

ANNE-MARIE LAWLOR
Private Secretary



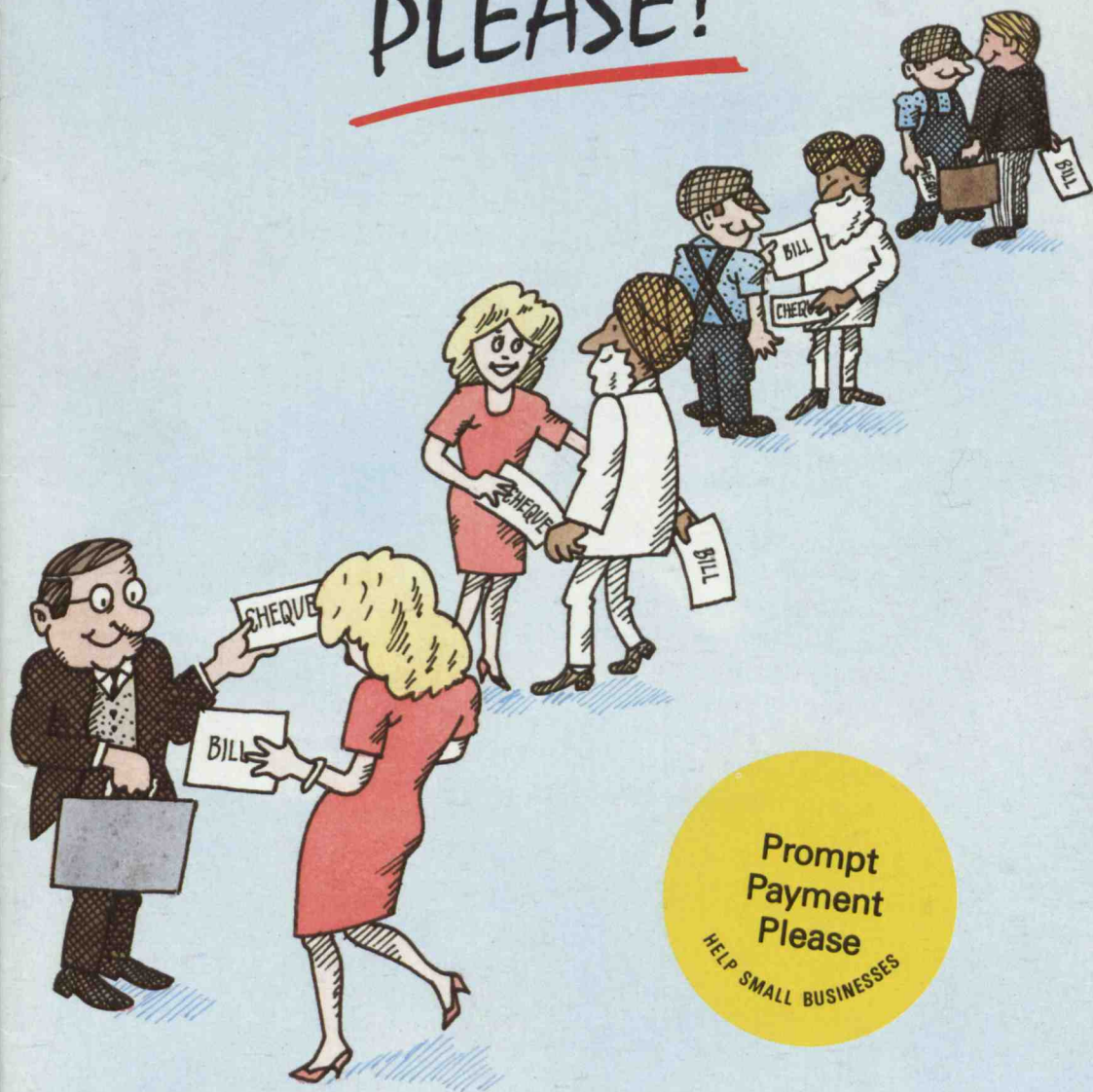
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PROMPT PAYMENT

PLEASE!



Prompt
Payment
Please

HELP SMALL BUSINESSES

A GUIDE FOR SUPPLIERS AND BUYERS

The Government's view on late payers is set out in this open letter from John Cope, Minister of State with special responsibility for small firms:



Minister of State

Department of Employment
Caxton House Tothill Street
London SW1H 9NF

Everyone in business is concerned about cash-flow. Firms of all sizes need to receive prompt payment, but small firms are more vulnerable and do not often have the cash reserves to carry debts. As a result they feel the strains in cash-flow more acutely, and sometimes their survival is at risk. Outstanding debts hamper business growth and damage business relationships. Lasting relationships are good for business, so prompt payment makes sense.

Late payment is catching, because every business sells as well as buys. So a decline in payment standards weakens all of industry and commerce. This is why the Government works to improve payment standards, and to set a good example. Our most efficient firms, large and small, recognise the benefits of good credit management and fair payment practice. We want the rest to follow their lead for the good of their businesses and for the sake of British industry and commerce as a whole.

Rt Hon John Cope MP



FOREWORD

Ensuring that bills are paid on time is an important aspect of good business practice and one in which both buyers and suppliers have a part to play. For small firms, managing cash flow can be a crucial element in the success of the business.

The booklet *Payment on Time* was first published in 1986. It was prepared by the Association of British Chambers of Commerce, the Confederation of British Industry, the Institute of Directors, the Institute of Purchasing and Supply, and the Department of Employment. It has been widely circulated throughout industry and commerce. In August 1987 the Department of Employment published a supplement containing comments on the booklet from many of Britain's largest companies.

The problem of bills paid after the date they are due continues to cause difficulty and increased costs for many businesses. It is, however, an area where experience has shown that the position of the supplier can be improved by careful attention to the problem. To meet this need the booklet has been extensively revised. *Prompt Payment Please* contains fuller advice on matters such as credit management, factoring and legal action. It also emphasises the need for suppliers as well as buyers to have a clear and consistent policy on payment.

The aim of the booklet remains the same. It offers practical guidance to suppliers and purchasers and is intended to be read by those who are responsible for the overall management of organisations, as well as those controlling payment procedures. Much of the advice given is elementary, but experience shows that even basic points are sometimes overlooked, especially by management in new or small businesses where experience of payment practices or credit management is limited.

In a booklet of this size it is not possible to give details on every aspect of the subject, and readers should make full use of available advice, information and training. Suggestions for further guidance are given in the Appendices. Some of the matters covered, such as the formation of contracts, have legal implications. It is not possible here to give detailed legal advice, and readers should seek expert advice on legal matters where necessary. References to matters of law in the booklet refer to the law in England and Wales. The law in Scotland and Northern Ireland is in some respects different.

The booklet aims to encourage the adoption of best practice. An improvement in standards in this important area will be to the benefit of all businesses and will contribute to the nation's economic efficiency and growth.



R. S. Burman
Chairman of Council
Association of British Chambers of Commerce

IOD
Institute of Directors

Sir John Hoskyns
Director General
Institute of Directors



Rt Hon John Cope MP
Minister of State
Department of Employment

IPS

A. Robertson
President
Institute of Purchasing and Supply

CBI

Sir Trevor Holdsworth
President
Confederation of British Industry

INTRODUCTION

THE PAYMENT PROBLEM

Trade credit is a normal practice in many fields of business. Payment on delivery would often be impractical. A period of credit allows the goods or services to be checked and paperwork to be processed. Credit also improves the cash flow position of the purchaser, but at the expense of the supplier.

Trade credit will only work if both buyers and suppliers understand their obligations and comply with them. This requires clear terms of contract which are understood and accepted by all concerned. It also requires trust.

Trust can be abused. The purchaser can gain an advantage at the expense of the supplier by delaying payment beyond the agreed period. This is an unfair practice and in the long run it is bad business. If trust breaks down, business suffers.

Both buyers and suppliers can help maintain high standards of payment practice. Buyers should take steps to ensure that they honour their obligations. Suppliers should have efficient systems of invoicing and credit management.

There is a special responsibility on large firms to deal fairly with small suppliers, who may be severely damaged by delayed payment, but all businesses, large and small, should aim to follow best practice. Fair dealing is an obligation for large and small alike.

IF YOU ARE A SUPPLIER

STAGE 1 PLANNING

PLANNING FOR PAYMENT

Getting paid for your work is vital to your business, cash flow and profitability. It is too important to be left to chance. You should therefore have a plan for the terms and methods of payment you seek, your system of credit management, and implementation of your objectives. You should also be prepared for difficulties that may arise if payment is delayed. Many problems can be eased, if not avoided, by planning ahead.

Your payment strategy will depend on the circumstances of your business, but should take these key points into account:

- The methods and terms of payment are an important part of any business deal, just as much as price, delivery dates, and quality.
- Good payment practice takes time and management effort. Don't begrudge it the necessary resources.
- The nature (and number) of your customers will affect your payment methods. You may need a different approach for different customers.
- Credit management begins before you accept an order. Assess the risks of delay and bad debts and how they will affect your business.

- A payment strategy needs to be put into practice. Your staff should know what is expected of them, and you should measure how quickly buyers pay against your targets.
- If disputes or queries arise, make sure that they are dealt with promptly.
- Credit to customers is a cost of the business and should be taken into account in the pricing of your product or service.
- Cash-flow is central to the success of your business, so base cash-flow forecasts on *realistic* expectations of payment. Make allowance for this in your financial planning.

Like other aspects of your business plans, it will be helpful to discuss your payment arrangements with your bankers and financial advisers. They may be able to make useful suggestions. They also need to be forewarned of any potential difficulties.

STAGE 2 NEGOTIATION

DECIDING TO DEAL

Consciously decide whether you want to do business with the prospective buyer. Do not grasp any order simply because it is on offer. Avoid over-selling.

Can you fully meet the buyer's requirements for quantity, quality, technical standards and delivery? If not, it will be more sensible not to take the order. You also need to consider how the deal will affect you financially. Can you meet the working capital needs? Is it worth accepting at the price and credit terms offered? Will it be profitable?

CREDIT CHECKS

You need to know if the buyer will pay and if he pays on time. If you have dealt with the same buyer before, check his performance from your own records. If you haven't, you may need further information. If the deal is important, and you know nothing about the customer, some form of credit check is strongly advisable. The buyer may himself provide references from other suppliers, but remember that he may keep some of his suppliers happy for this purpose. Bankers' references and information from trade associations or your own business contacts are an alternative. Company accounts contain financial information and an auditor's report but do not always tell the full (and up-to-date) story. There is also a central register of County Court Judgments which for a small fee will show if the buyer has had a judgment against him in the past six years.

For expert advice you may consult a *credit reference agency*. The Institute of Credit Management will provide information about suitable agencies. But remember that credit references

do not *guarantee* payment. If credit checks leave any doubt about the buyer's credit-worthiness, you may wish to consider *credit insurance*. See Appendices A and B for further information about all these topics.

TERMS OF PAYMENT

Terms of payment are for negotiation like any other aspects of the deal. There may however be a normal practice in your industry. Standard practice varies, but in most industries it is normal to allow a reasonable but not lengthy period of credit after delivery. In many industries a period of 28 or 30 days is usual, but longer or shorter periods are also common. You will probably know the usual practice (if there is one) in your industry, but in general neither you nor your customer are bound to stick to it.

Other things being equal, if your customer expects better credit terms than usual, you will expect something in return. Like other business decisions, this is a matter for commercial judgement and negotiation. You may be prepared to offer favourable credit terms to obtain a large contract from a reliable customer. Alternatively, you might allow better credit terms by charging a higher price. As an incentive to early payment you might propose an interest charge on delayed payment, or a discount for early payment. Before you agree to lengthy terms of credit it is vital to consider how this will affect the finances of your business.

invoice is completed and submitted to the buyer in the way he has requested. Many delays in payment are due to errors at the invoicing stage. You should:

- Make sure that the invoice is correctly and fully completed and that the details match those on the ruling purchase order.
- Show on the invoice the date of delivery or despatch of goods or performance of service. Make sure that goods are despatched on the date shown and state the location to which goods were delivered.
- Quote the advice note number and customer order number on the invoice.
- Make sure that the same date is used for tax point, delivery date and invoice date.
- Make sure that the invoice bears your VAT registration number and shows the rate and amount of VAT.
- State on the invoice the date that payment is required. Avoid phrases such as 'payment in 30 days'.
- Make sure that goods are delivered to the right place and get proof of delivery.
- Send invoices immediately to the address shown on the purchase order making sure that they are received before the date on which your firm's invoices will be processed by the buyer. He should be willing to tell you when this is.

STAGE 5

GETTING PAID

CREDIT MANAGEMENT

The credit management methods best for your business will depend on the nature of your business and your customers. Dealing with a large number of small customers is very different from dealing with one or two large projects for a single customer. A lot also depends on the ability of customers to pay. Remember the advice above about credit checks at pre-contract stage.

The main features of any credit management system are a good *record* of when bills are paid; identification of *overdue* payments; and a system of *reminders*. Much of this can now be handled by relatively cheap computer systems. You should make sure that your money is coming in as fast as possible by comparing your company's performance with those of other companies in your industry and assessing your effectiveness.

Some small businesses are reluctant to press large customers for payment, in case they might take offence. This is unlikely, provided your approach is not rude or threatening. With an important customer, the first step might be to telephone your main contact personally to ask if any problems have arisen. In a large organisation functions are specialised;

so find out who is responsible for settling your bill and contact them directly.

I M P R O V I N G C A S H - F L O W

To improve cash-flow you may need credit yourself before your bills are paid. Banks will take book debts into account in granting you overdraft or other facilities. More specialised sources of finance are as follows:

Factoring and invoice discounting

In a factoring arrangement a factoring organisation (the 'factor') will pay you on acceptance of your invoices, or a proportion of them, before the purchaser himself has paid. This has obvious cash-flow advantages to you. The factor will charge for his services, including the element of credit involved. Services are charged as a small percentage of turnover and finance is charged at similar rates to overdrafts. Factoring arrangements vary widely. In some cases the factor will bear the risk of bad debts. In others this still falls on the supplier. Sometimes the factor takes over the functions of keeping your sales ledger and of collecting payments; sometimes he provides only a financing service and leaves the rest to you (this is sometimes known as 'invoice discounting' rather than factoring). See Appendices A and B for sources of further information.

Trade bills of exchange

Trade bills of exchange are a special means of payment which have advantages in some circumstances. Their use is long-established and governed by the Bills of Exchange Acts. Points to note are:

- Trade bills are mainly used when there are substantial and regular invoices (probably at least £25,000) to individual customers of good standing.
- You will need a different trade bill for each customer (unlike factoring).
- You will need the agreement of the customer.
- The bill acts like a post-dated cheque, often for one or three months, ensuring payment on a specific future date.
- Good quality trade bills can be sold to raise money at comparatively low interest rates and in considerable volume from the wholesale money markets.

For further information see Appendix B.

D I F F I C U L T D E B T S

If you follow the advice given above, your debt collection problems should be reduced to a minimum. But what if your customers still do not pay?

The law provides several means of enforcing payment. Before taking legal action, however, you should make sure that delayed payment is the only issue.

Remember that there can be advantages to those who are known as prompt payers. Conversely those with a bad reputation may find themselves forced to do business with second-rate suppliers.

PAYING INVOICES

If invoices are to be paid on time, the key factors are:

- The goods and relevant documentation must be checked and cleared without delay.
- The supplier must be informed immediately of any queries or discrepancies on invoices.

- Once the invoice has been cleared, the accounts department must be notified immediately so that settlement can be made within the contracted payment terms.
- If for some reason you are unable to pay on the agreed date, contact your supplier as soon as possible and negotiate an extension of time. This will avoid loss of goodwill towards you by your supplier.

Ultimately, payment of bills on time is a matter of good business practice, to be set alongside other principles governing the way in which business is conducted. Most firms aim to conduct their business with integrity, to comply with contracts and other legal obligations and to reject improper business practices. Prompt payment of bills should be treated in the same way.

CHECK LIST

- Before you make a deal**
 - Can you fill the order and meet all the buyer's requirements?
 - Can you live with the credit terms offered?
 - Have you checked the customer's credit rating?
- When you make a contract**
 - Do you understand the contract terms?
 - Are the payment terms and delivery requirements clear?
- When the goods are delivered**
 - Have they been sent to the right place?
 - Do you have proof of delivery?
 - Is the invoice completed correctly; have you stated clearly the date by which payment is required?
- Getting paid**
 - Do you have a system that tells you quickly when bills are overdue?
 - Have you chased overdue bills promptly?
 - If non-payment persists, have you considered your options (legal action, debt collection agency, etc.)?
- If you are a buyer**
 - Are purchasing and accounts staff aware of your company's payment policy?
 - Do you monitor your company's payment performance?
 - Do you issue payment guidance literature to suppliers?
 - Do you ensure that small firms are paid promptly?

APPENDIX A

ORGANISATIONS ABLE TO ADVISE
SMALL FIRMS

The Department of Employment's Regional Small Firms Centres:
Dial the Operator and ask for Freefone Enterprise

Local Enterprise Agencies
For the address and phone number of the nearest LEA contact:

Business in the Community
277a City Road
London EC1V 1LX
Tel. 01-253 3716

Institute of Purchasing and Supply
Easton House
Easton on the Hill
Stamford, Lincolnshire PE9 3NZ
Tel. (0780) 56777

***Confederation of British Industry**
Centre Point
103 New Oxford Street
London WC1A 1DU
Tel. 01-379 7400

***Institute of Directors**
116 Pall Mall
London SW1Y 5ED
Tel. 01-839 1233

Local chamber of commerce
For address and telephone number of nearest chamber contact:

***Association of British Chambers of Commerce**
Sovereign House
212a Shaftesbury Avenue
London WC2H 8EW
Tel. 01-240 5831/6

Institute of Credit Management
Easton House
Easton on the Hill
Stamford, Lincolnshire PE9 3NH
Tel. (0780) 56777

Association of British Factors Limited
Information Office
Hind Court
147 Fleet Street
London EC4A 2BU
Tel. 01-353 1213

Association of Invoice Factors Limited
Jordan House
Brunswick Place
London N1 6EE

Credit Services Association
Secretary: J. D. Crummack
P.O. Box 29
Brighouse
West Yorkshire
Tel. (0484) 533346

The Chartered Institute of Arbitrators
75 Cannon Street
London EC4N 5BH
Tel. 01-236 8761

National Association of Trade Protection Societies
4 & 6 New Street
Leicester LE1 5NB
Tel. (0533) 531951

Rural Development Commission
For the address and telephone number of your County Office contact:
Rural Development Commission Business Service
141 Castle Street
Salisbury
Wiltshire SP1 3TP
Tel. (0722) 336255

*advice available to member firms

SCOTLAND

Scottish Development Agency Small Firms Information Centre
21 Bothwell Street
Glasgow G2 6NR
Dial the operator and ask for Freefone Enterprise

Local Enterprise Agencies
For the address and telephone number of nearest LEA contact:
Scottish Business in the Community (SCOTBIC)
Romano House
43 Station Road
Edinburgh EH12 7AF
Tel. 031-334 9876

***Confederation of British Industry (Scottish Office)**
5 Claremont Terrace
Glasgow G3 7XT
Tel. 041-332 8661

***Association of Scottish Chambers of Commerce**
30 George Square
Glasgow G2 1EQ
Tel. 041-204 2121

Highlands and Islands Development Board
Bridge House
20 Bridge Street
Inverness IV1 1QR
Tel. (0463) 234171

WALES

The Welsh Development Agency
Pearl House
Greyfriars Road
Cardiff CF1 3XX
Tel. (0222) 222666

Mid Wales Development
Ladywell House
Newtown
Powys SY16 1JB
Tel. (0686) 626965

***Confederation of British Industry (Welsh Office)**
Pearl House
Greyfriars Road
Cardiff CF1 3JR
Tel. (0222) 32536

NORTHERN IRELAND

Local Enterprise Agencies
For address and telephone number of nearest LEA contact:
Local Enterprise Development Unit
LEDU House
Upper Galwally
Belfast BT8 4TB
Tel. (0232) 491031

Action Resource Centre
Belfast Enterprise Centre
ARC House
103-107 York Street
Belfast BT15 1AB
Tel. (0232) 328000

Industrial Development Board
IDB House
64 Chichester Street
Belfast BT1 4JX
Tel. (0232) 233233

***Northern Ireland Chambers of Commerce and Industry**
Chamber of Commerce House
22 Great Victoria Street
Belfast BT2 7BJ
Tel. (0232) 244113

*advice available to member firms

APPENDIX B

FURTHER READING

Credit Management
Institute of Credit Management

Ethical Code of the Institute of Purchasing and Supply
Institute of Purchasing and Supply

Model Conditions of Contract (particularly relating to telecommunications and computer hardware and software)
Institute of Purchasing and Supply

*Selling to the Crown Suppliers**
The Crown Suppliers
5th Floor
Wellington House
133 Waterloo Road
London SE1 8UG
Tel. 01-922 2357

*Tendering for Government Contracts**
Small Firms Centres

*Selling to Large Firms**
Small Firms Centres

*Selling to the MOD**
Ministry of Defence
CS (PS) 2
Stores Superintendent
Strathville Road
Wandsworth
London SW18 4QU

*Selling Building Products for PSA Work**
Property Services Agency
Central Trade Literature Library
Whitgift Centre
Wellesley Road
Croydon CR9 3LY
Tel. 01-686 8710 ext 4527

*Small Claims in the County Court**
County Courts

*Enforcing Money Judgments in the County Court**
County Courts

Supplier Appraisal
Institute of Purchasing and Supply

Contracting for Goods and Services
Institute of Purchasing and Supply

*The Use of Trade Bills**
Cater Allen Limited
The Trade Bill Desk
1 King William Street
London EC4N 7AU
Tel. 01-623 2070

What's Your Problem?
Action Resource Centre
Belfast Enterprise Centre
ARC House
103-107 York Street
Belfast BT15 1AB
Tel. (0232) 328000

Debt Collecting Made Easy,
Peter Buckland, Kogan Page, 1987.

Effective Credit Management,
Michael Goddard, Graham and Trotman, 1983.

A Guide to Successful Debt Collecting,
Andrew Theumissen, Jordan and Son Ltd, 1983.

*available free of charge.

Model Conditions of Contract
Institution of Chemical Engineers
165-171 Railway Terrace
Rugby
Warwickshire CV21 3HQ
Tel. (0788) 78214

Institution of Civil Engineers
1 Gt George Street
London SW1P 3AA
Tel. 01-222 7722

Institution of Electrical Engineers
Savoy Place
London WC2R 0BL
Tel. 01-240 1871

Institution of Mechanical Engineers
1 Birdcage Walk
London SW1H 9JJ
Tel. 01-222 7899



PL832 (revised)

Prepared for the Department of Employment by the Central Office of Information, 1988.

Printed in the UK for HMSO. Dd8940344 DEMPJ0492NE. 150M 7/88

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CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL

Telephone: 01-270 5929

C89/3561

D C Morris Esq
Private Secretary
10 Downing Street
LONDON
SW1A 2AA

Prime Minister 2
Judging by the studies Cabinet Office have undertaken since you first enquired about this, (nos 9, 12, 13 and 15 - the attached) they have taken your earlier comments to heart.
25 July 1989
Thank you
DM
map

Dear Dominic

Andy Bearpark's letter of 6 December recorded that the Prime Minister had seen the list of management and computer consultants employed by the Cabinet Office during 1988, and had asked for a further report in six months time.

... I now attach at Annex A a list which gives the cost and a brief description of management and computer consultancies running during the period 1 July 1988 to 30 June 1989. Classified consultancies are listed separately at Annex B. Since the last report four new contracts have been placed together worth £23,773. These are marked on the report with an asterisk. There have also been revisions to the cost of a few consultancies that featured in the last report.

The total cost of all the consultancies listed in Annexes A and B is £505,135. Of this £16,756 was contributed by other departments. The total cost to the Cabinet Office is £488,379. It is worth noting that almost 70% of this is accounted for by one of the projects in Annex B.

The study by Equalities Associates into equal opportunities training that was mentioned in the last report, has not been included this time because the complete cost (£39,000) was borne by, and the results owned by, the Training Agency.

If you need any further information, please let me know.

Yours
Martin

MARTIN LE JEUNE
Private Secretary

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MANAGEMENT OR COMPUTER CONSULTANCY CONTRACTS AWARDED BY THE
CABINET OFFICE, EITHER COMPLETED OR COMMISSIONED BETWEEN
1 JULY 1988 AND 30 JUNE 1989

CIVIL SERVICE COMMISSION

1. ARTHUR YOUNG MANAGEMENT CONSULTANTS: INFORMATION TECHNOLOGY
REQUIREMENTS

Total Cost £50,809; April 1988 to March 1989

The aim of the consultancy was to undertake a detailed evaluation of the Commission's future IT requirements, focused mainly on recruitment procedures, management information systems (including statistics) and the planned move to full repayment for the Commission. Although there were some initial problems, the consultancy gave value for money and has provided a firm foundation for the planned introduction of a modern IT system, to replace the present mix of mainframe and micro-computers and manual systems. The lack of departmental resources and suitable qualified staff meant that such a study would not have been possible without using outside consultants.

2. PA PERSONNEL SERVICES: ANALYSIS OF EXECUTIVE OFFICER AND
FAST-STREAM RECRUITMENT

Total Cost £3,500; September to October 1988

The consultancy was commissioned to provide an overview of the Commission's recruitment processes from the viewpoint of a prospective candidate. It was considered that such a review would be more valuable and innovative if undertaken externally. A number of recommendations have arisen from the study, which

should lead to several value for money improvements, including simplified forms and a reduction in the overall volume of documentation.

3. QUESTEL QUALITATIVE STUDIES LTD: AUDIT of CIVIL SERVICE RECRUITMENT PUBLICITY

Total Cost £24,000 (£10,000 met by the Department of Trade and Industry) August 1988 to January 1989

The consultancy was commissioned to:

a) review the coverage, content, presentation and distribution of civil service recruitment publicity; to assess its effectiveness; and to suggest improvements;

b) examine the operation, in practice, of the division of responsibility for recruitment publicity between the Civil Service Commission and employing departments; to assess its efficiency and make suggestions for improvements.

An external perspective of the current procedures, with recommendations for change, was considered desirable. Questel will present a final report mid July. All the indications are that the project will have proved to be good value for money.

RECRUITMENT RESEARCH UNIT

The contracts described at 4 to 9 below were commissioned because resources were not available in the Recruitment Research Unit. These consultancies are expected to show value for money in terms of improvements to recruitment procedures.

4. ANN HUGHES-HALLETT: CAREER ATTITUDES

Total Cost £7,076 (£1,120 to be met by Cabinet Office);
October 1988 to March 1989

The consultancy has involved research, co-sponsored with Inland Revenue, on under-graduate attitudes to a career in Her Majesty's Tax Inspectorate, with particular reference to ethnic minorities.

5. HUMAN ASSETS LTD: ANALYSIS OF GOVERNMENT INFORMATION SERVICE

Total Cost £33,113; March 1988 to March 1989

The study was commissioned to advise on selection procedures relating to the recruitment of Information Officers. The first stage (March - December 1988) involved job analysis in the Government Information Service and led to an outline design for new selection procedures. The second stage (December 1988 - March 1989) involved the design and trial of a new set of tests for use in a one-day assessment centre for three broad categories of Information Service Staff - ie press, publicity production, and publicity purchase. In addition, further tests were produced for use in general recruitment to the Assistant Information Officer grade.

6. PSYCHOMETRIC RESEARCH AND DEVELOPMENT LTD: TESTS GIVEN BY THE CIVIL SERVICE SELECTION BOARD

Total Cost £1,110; March to August 1988

The consultancy involved the development of items for cognitive tests used by the Selection Board.

7. A ILIFFE: TESTS GIVEN BY THE CIVIL SERVICE SELECTION BOARD

Total Cost £1,600 July to September 1988

The consultancy involved the development of items for cognitive tests used by the Selection Board.

8. R CHILDS: TESTS GIVEN BY THE CIVIL SERVICE SELECTION BOARD

Total Cost £1,570 August to September 1988

The consultancy involved the development of items for cognitive tests used by the Selection Board.

*9. B O'CONNOR: DEFENCE ENGINEERING SCHEME

Total Cost £1,100; September to October 1988

The consultancy concerned developmental work for a test of engineering judgement to be used in selecting fast-stream engineers for the Ministry of Defence (Defence Engineering Scheme).

MANAGEMENT AND DEVELOPMENT GROUP (FORMERLY PERSONNEL MANAGEMENT GROUP)

MANAGEMENT POLICY DIVISION

10. ROY FIELDER ASSOCIATES: SELF APPRAISAL FOR HM INSPECTORS OF SCHOOLS

Total Cost £1,600 (£800 paid by Cabinet Office);
2 to 7 September 1988

The consultant was brought in to run a discussion group during a seminar on the subject of self appraisal for HM Inspectors of schools. The Department of Education and Science (who paid the

other half of the costs) were keen to include an outside consultant with a wide experience on the subject. The results of the project are currently being evaluated and early indications are that it has enhanced the effectiveness of appraisal in this area.

TRAINING DEVELOPMENT DIVISION

11. WRM LTD: TRAINING INFORMATION AND COMMUNICATIONS STUDY

Total Cost £2,450; 28 November to 30 December 1988

The consultancy was arranged for the purpose of preparing a User Requirement for an information management system. The consultants used for the project were selected on the basis of their previous experience in creating similar systems elsewhere. The work provided a sound basis for the next stage of the project (see item below), ie the development of the system itself.

*12. WRM LIMITED: INFORMATION MANAGEMENT SYSTEM

Total Cost £11,673; 15 February to 30 March 1989

The consultancy was placed for the design, development and implementation of an information management system. The consultants were selected on the basis of price and experience of

developing similar systems elsewhere. In-house resources were not available. The value for money aspect will not be fully realised until the system has been operational for a reasonable period.

***13. PRICE WATERHOUSE: WORKSHOP ON ORGANISATIONAL CHANGE**

Total Cost £4,000; 20, 21 and 26 September 1988

The consultant arranged a workshop for members of the Personnel Management Consultancy and Development Division on organisational change and the planning of the Division's future work programme.

ESTABLISHMENT OFFICER'S GROUP

14. CASU: DATABASE FOR NO 10 CORRESPONDENCE SYSTEM

Total Cost £3,500; September 1988

The purpose of the project was to bring in a computer system for correspondence management to replace existing equipment. The short time scale in which this work has to be undertaken meant that it was not possible to utilise in-house resources. The project is thought to have given good value for money.

***15. TEXDIS: DATABASE SYSTEM**

Total Cost £7,000; January to March 1989

The consultant was brought in to develop a database system providing central information to users throughout the Department. The purpose of this system is to give quick access to a library of information frequently used by staff. On this basis it is expected to provide value for money in view of time saved on manual searches. At the moment the system is undergoing trials before it becomes widely available.

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ANNEX B

JOINT INTELLIGENCE ORGANISATION

16. [redacted] (evaluation support)

Total Cost £133,000 Started 7 November 1988 - ongoing

The contract relates to an evaluation made of potential suppliers' proposals for [redacted]. The use of in-house resources was not an option, due to the constraints of the timing involved.

17. [redacted] (technical design studies)

Total Cost £207,000, September 1988 to March 1989

The aim of the commission was to undertake technical design studies of a secure office automation system. Internal resources of the quantity and expertise necessary were not available in the timescale needed to meet the operational requirement.

The two projects above were awarded following competition between those companies able to deal with classified material. The quantity of the work completed has been entirely satisfactory.

TELECOMMUNICATIONS SECRETARIAT

18. LOGICA : ENHANCEMENT OF THE CABINET OFFICE BRIEFING ROOMS

Total Cost £11,034. 19 September to May 1989

The consultancy relates to specialist advice on the installation

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Le Seure to Morris

25/7/89

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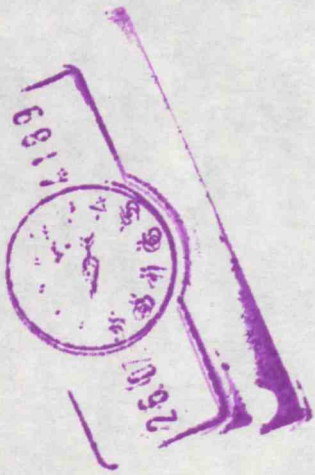
of new telecommunications equipment as part of the refurbishment of the Cabinet Office Briefing Rooms. The project was considered a high priority and the staff of the Telecommunications Secretariat did not have the spare capacity or specialist knowledge to meet the requirement.

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Trade

Purchasing Policy



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*File 15 Aug
att. sent*



10 DOWNING STREET

LONDON SW1A 2AA

From the Principal Private Secretary

3 July 1989

Dev Cur

'BETTER MADE IN BRITAIN'

During the course of a constituency dinner, the Prime Minister is visiting a 'Better Made in Britain' Challenge Day. Sir Basil Feldman was trying to arrange ten minutes with the Prime Minister, presumably to talk about Government support. It is unlikely that the programme will permit such a meeting but it is possible that, during the course of the hour, Sir Basil will raise the issue with the Prime Minister.

I understand that there are legal difficulties about such funding. I would therefore be grateful for a note, to reach me by Thursday afternoon, setting out the issues and advising the Prime Minister on the line she should take.

I am copying this letter to Neil Thornton (Department of Trade and Industry).

*Yours sincerely
Andrew Turnbull*

ANDREW TURNBULL

Clive Norris, Esq.,
Department of Employment

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AT

Visit No.2

Venue - B & Q Superstore, High Road, N.20. (Tel:445 3696)
For Better Made in Britain Challenge Day

Arrive - 14.30

Depart - 15.30

(The Store will be closed to the public).

The is the fourth Challenge Day organised with B & Q by the Better Made in Britain Campaign. They have also held one with Halfords which was attended by Mr. Thatcher. The basis of the Challenge Day is that British manufacturers are challenged to come up with a competitive product for any imported item stocked in the store. These are identified by tags bearing the slogan "Can this be made better in Britain?"

You will be met by the Deputy Chairman of B & Q Mr. Jim Hodkinson, the Chairman of "Better made in Britain" Sir Basil Feldman and (if present) the Mayor of Barnet Cllr. Mrs. Dot Benson. You will then be introduced to the Manager of Whetstone Store, Mr. Peter Smith and his senior staff.

- 14.35 You will be escorted along the centre aisle of the store to meet various buyers and suppliers. At the back of the store there will be stands for the D.T.I., B.O.T.B. and Quality Mark.
- 15.15 After meeting more of the repretatives of suppliers and buyers Mr. Hodkinson will say a few words about Better made in Britain" and propose a vote of thanks. If you wish there will be an opportunity to say a few words.
- 15.30 Depart.

More detailed information about B & Q and the "Better Made in Britain Campaign" enclosed.



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 July 1989

Dear Shirley,

FOREWORD TO SECOND EDITION OF FOOD AND DRINK FROM BRITAIN

The Prime Minister has agreed that she will provide a foreword to this publication and I would be grateful if you would provide a draft for her.

Yours sincerely,

Caroline Slocock

CAROLINE SLOCOCK

Mrs. Shirley Stagg
Ministry of Agriculture, Fisheries and Food

ANDREW TURNBULL

30 June 1989

PL

'BETTER MADE IN BRITAIN'

I understand the Prime Minister is due to visit a BMIB 'Challenge Day' in her constituency next Friday, 7 July.

BMIB's purpose is to encourage UK firms to produce competitive goods which could replace imports. It is funded up to 50% by the Department of Employment.

The Cabinet Office has drawn the attached note to my attention. In short, the Treasury Solicitor is concerned that this Government funding might be open to challenge under the Treaty of Rome. The Court has apparently struck down under Art.30 (restrictions on imports) a 'Buy Irish' operation funded by the Irish Government. The Cabinet Office knew of the Prime Minister's visit and thought that she should be aware of the point.

I am quite sure that this should not inhibit the Prime Minister's undertaking her engagement. Indeed, as the note indicates, we know full well how much other Member States, notably France, promote their own national production, and I would have thought the Prime Minister would wish us to do exactly the same, facing any legal challenge robustly and denouncing it as exactly the kind of Communitaire nonsense we are intent to campaign against.

But it may be worth your taking a view from Norman Fowler before next Friday.

John Mills

JOHN MILLS

RECORD OF AN AD-HOC MEETING AT TREASURY SOLICITOR'S DEPARTMENT
ON 22 JUNE 1989

BETTER MADE IN BRITAIN (BMIB)

These present: S Hyett (Chairman) TSol

P Buley DEmp

L Mead DEmp

V Rice-Pyle DEmp

R Britten "

H Bailey DTI

A McGlone DoE

C Muttukumar LOD

L Gunatilleke MAFF

J Allfrey CO

The meeting had before it Valerie Rice-Pyle's letter of 16 June seeking views on D.Emp's intention to renew its funding of BMIB. BMIB had been founded by Sir Basil Feldman to encourage UK firms to produce competitive goods which could replace imports. The organisation had considerable political support. The question for discussion was whether continued support of BMIB would be contrary to the Treaty and, if so, whether the activities to be supported could be modified to bring them within the Treaty.

In general discussion the following points were made:

- a. Government sponsorship of BMIB might be challenged under Article 30 (restrictions on imports) or Article 92 (state aids). Article 30 had been construed widely by the ECJ in the "Buy Irish" case. Although a defence might be constructed against an Article 30 challenge on the grounds that BMIB was at arms length from government, HMG would still be vulnerable under Article 92. There was also a possibility that BMIB itself could be challenged under Article 85. The name, nature and history of BMIB would make it very difficult to defend a challenge based on Article 30 or 92.

b. DEMP had been funding up to 50% of BMIB's activities. BMIB could probably survive without that funding but nevertheless substantial sums were involved and it was questionable whether Government could be said to be at arm's length from BMIB especially since BMIB stressed their Government support. While assistance in cash or kind to BMIB could fall foul of the Treaty, oral statements of support by Ministers were unlikely to offend.

c. On legal advice, DTI had always avoided any financial involvement in BMIB. Instead they were supporting a separate company, "Quality Mark Ltd", set up by Sir Basil Feldman. This scheme did not discriminate between British and foreign companies.

d. In the agricultural sector there were Community guidelines for the funding of promotion of national produce. These guidelines might be a useful pointer as to what might be reasonable but could not be relied on in law for other sectors. Food from Britain, which had received substantial Government funds, operated within these rules.

e. Other member states, in particular France, promoted their national production.

In discussion of the various BMIB activities the following points were made:

f. Components exhibition and challenge days: There was a real danger that Government funding would infringe Articles 30 and 92 since only UK companies were invited and only imported products were displayed with the object of displacing these imports. If the invitations were non-discriminatory and home-produced products were also exhibited the chance of a successful challenge might decrease but this would have to be a genuine change, not simply a cosmetic one.

g. Partnership programmes. These programmes were, on the surface, one of the more blatantly discriminatory parts of BMIB's programme. The partnerships were clearly targeted at displacing imported goods; if they were instead aimed at encouraging small firms they might be more acceptable.

h. Regain. This was the most overtly discriminatory programme in that its aim was to identify opportunities for replacing imports.

i. Briefing news letter. This was at risk of challenge because it was publicising BMIB's activities.

j. Research on a food exhibition. This could overlap with Food from Britain's activities.

k. Construction club. This was not subsidised by HMG but a DoE official had been seconded to assist the project to encourage the use of British construction materials. DoE were not funding the salary of the secondee.

l. City Action Trusts (CATs) were intending following up "Regain" by funding Northern Chambers of Commerce to seek local replacements for imported products. The CATs were funded by DoE, DTI and DEmp.

In conclusion, the following points were agreed:

1. If Government funding for BMIB was challenged in the European Court of Justice there would be a high risk of losing the case since such funding was likely to constitute a breach of Article 30 of the Treaty, as interpreted in the "Buy Irish" case, and/or constitute an illegal state aid under Article 92. Since we were critical of other member states who infringed the state aid rules this would be embarrassing to the UK. We could also be ordered to recoup the aid paid which could bankrupt BMIB.

2. The risk of a challenge could not be predicted. However, it would only require one complaint from a foreign company.

3. D.Emp would inform their SoS of the views of the meeting. It was likely that they would recommend that, if he wished to provide funding, this should be done through a separate company set up to assist small firms without discriminating against imports. The proposed activities of any such company should be examined closely.

4. If the SoS wished to assist BMIB directly he should first consult Law Officers and colleagues. He might, in any case, wish to inform colleagues of his proposed actions since it was important that departments should take a consistent line towards BMIB.

5. DoE, DTI and DEmp should each advise the CATs of the legal position regarding support of BMIB.

Circulation: Those present
Ms Anderson CO
K56/23



me Pmr
15

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

6 December 1988

Thank you for your letter of 1 December with which you enclosed information on management and computer consultants engaged by the Cabinet Office. The Prime Minister has seen this, but has not, on this occasion, commented in detail. She does, however, remain concerned about this subject and I should be grateful if a further report could be provided in another six month's time.

P. A. Bearpark

Martin Le Jeune, Esq.,
Office of the Minister for the Civil Service.

dg

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CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

Prime Minister²

12/12

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL
Telephone: 01-270 5929

C88/5937

P A Bearpark Esq
10 Downing Street
LONDON
SW1A 2AA

ms

1 December 1988

Dear Andy

- at flap

You wrote to Judy Wrighton on 4 May about the information provided on the cost, etc, of management and computer consultants engaged by the Cabinet Office, and asked for a further update on the situation in approximately six months time.

- ... I now attach at Annex A an itemised list by individual divisions and secretariats, giving the cost and a brief description of those management and computer consultancy contracts either completed or started during the 1988 calendar year. A separate ... list of classified consultancies is attached at Annex B. The last report in April made reference to the commissions awarded during 1987. The latest compilation expands on the consultancies mentioned in the April report which have since been completed, including an account of the overall success and value for money obtained.

The total cost of all the consultancies listed is £497,402. This includes £107,113 for the cost of consultancies started in 1987. A further £27,844 was contributed by other departments who have had a specific interest in certain projects. Thus the total value of management and computer consultancy contracts awarded by the Cabinet Office in 1988 is £362,445.

Judy Wrighton's letter of 26 April outlined the procedure that governs the commissioning of consultants as applied by those Cabinet Office staff responsible for raising such commissions. Should you require any further information on this or any other aspect, please let me know.

Mars
Martin

MARTIN LE JEUNE
Assistant Private Secretary

COVERING CONFIDENTIAL

MANAGEMENT OR COMPUTER CONSULTANCY CONTRACTS AWARDED
BY THE CABINET OFFICE, EITHER COMPLETED OR COMMISSIONED DURING
1988

TRAINING DEVELOPMENT DIVISION

1. TRAINING DEVELOPMENT APPROACHES LTD: YOUNG PEOPLE PROGRAMME

Total Cost £31,836 January to March 1988

The project involved designing a master copy of a manual in support of the "Young People Programme", for reproduction as required. The need was to ensure that centrally produced manuals were compatible with departmental materials and practice, linked with Government initiatives on vocational training for young people; and to help departments achieve the standard of competence required for participation in the programme. The training manuals have been widely praised by those departments about to distribute them for pilot studies. In-house resources were not available to achieve the necessary standard of production.

2. INDUSTRIAL TRAINING SERVICE LTD: NEEDS ANALYSIS

Total Cost £2,500 March 1988

Consultants were commissioned to produce a draft guide entitled "How to conduct a Needs Analysis". The aim was to give departments a means to identify organisational needs and the methods to be used to decide which of these needs were best met by the appropriate training. To ensure that the guide was well balanced, it was thought necessary to incorporate an extensive knowledge of good practices in the private sector, as offered by outside consultants.

3. ERWIN SCHEIDER: TRAINING INFORMATION AND COMMUNICATIONS
STUDY

Total Cost £12,880 1 January to 30 April 1988

A study was commissioned in two separate parts. The first stage was to establish the feasibility of introducing a computerized information management system for use by Divisional staff. The second part of the study involved designing and setting up a statistical and budgetary system. The management information system has proved to be feasible and is now in the process of development (see item 4 below). The statistical and budgetary system has been in extensive use over the past six months and given rise to better use of information and reduced clerical effort in this area. The consultant employed, who has wide experience of information systems, was selected following discussions with CCTA and the Treasury. The relevant experience was not available within existing resources.

4. WRM LTD: TRAINING INFORMATION AND COMMUNICATIONS STUDY

Total Cost £2,450 28 November to 30 December 1988

The consultancy was arranged for the purpose of preparing a User Requirement for an information management system. The consultants used for the project were selected on the basis of their previous experience in creating similar systems elsewhere. The value for money aspect will not be realised until the system becomes operational.

CIVIL SERVICE COMMISSION

5. ARTHUR YOUNG MANAGEMENT CONSULTANTS: INFORMATION TECHNOLOGY REQUIREMENTS

Total Cost £49,450

April 1988 and continuing

The consultant is conducting a detailed evaluation of the Commission's future IT requirements, focusing mainly on recruitment procedures, management information systems (including statistics) and the planned move to full repayment for the Commission. After some initial problems, the consultancy is now expected to provide good value for money and a firm foundation for the introduction of a modern IT system, replacing the present mix of mainframe and micro-computers and manual systems. The lack of departmental resources and suitable qualified staff meant that such a study would not have been possible without using outside consultants.

6. PA PERSONNEL SERVICES: ANALYSIS OF EXECUTIVE OFFICER AND FAST-STREAM RECRUITMENT

Total Cost £3,500 September to October 1988

The consultancy was commissioned to provide an overview of the Commission's recruitment processes from the viewpoint of a prospective candidate. It was considered that such a review would be more valuable and innovative if undertaken externally. A number of recommendations have arisen from the study, which is likely to lead to several value for money improvements, including simplifying forms and reducing the volume of documentation.

QUESTEL QUALITATIVE STUDIES LTD: AUDIT of CIVIL SERVICE
RECRUITMENT PUBLICITY

Total Cost £24,000 - £10,000 of the cost to be met by the
Department of Trade and Industry August 1988 to January 1989

The consultancy was commissioned to:

- a) review the coverage, content, presentation and distribution of civil service recruitment publicity; to assess its effectiveness; and to suggest improvements;
- b) examine the operation, in practice, of the division of responsibility for recruitment publicity between the Civil Service Commission and employing departments; to assess its efficiency and make suggestions for improvements.

An external perspective of the current procedures, with recommendations for change, was considered desirable, and indications are that the project will prove to be good value for money.

RECRUITMENT RESEARCH UNIT

The contracts described at 8 to 14 below were commissioned because resources in the Recruitment Research Unit were not available. These consultancies are expected to show value for money in terms of improvements to recruitment procedures.

8. ANN HUGHES-HALLETT: CAREER ATTITUDES

Total Cost £7,076 (£1,120 to be met by Cabinet Office) October
1988 to March 1989

The consultancy has involved research, co-sponsored with Inland Revenue, on under-graduate attitudes to a career in Her Majesty's Tax Inspectorate, with particular reference to ethnic minorities.

9. UNIVERSITY OF LONDON INSTITUTE OF EDUCATION: DATA ANALYSIS

Total Cost £200 February 1988

Contracts for computer analysis of data relating to a competition during 1987, using techniques not available on Departmental computers.

10. HUMAN ASSETS LTD: ANALYSIS OF GOVERNMENT INFORMATION SERVICE

Total Cost £19,400 March 1988 to March 1989

A study was commissioned for a report and recommendations on new selection procedures relating to the recruitment of Information Officers.

11. PSYCHOMETRIC RESEARCH AND DEVELOPMENT LTD: TESTS GIVEN BY THE CIVIL SERVICE SELECTION BOARD

Total Cost £1,110 March to August 1988

The consultancy involved the development of items for cognitive tests used by the Selection Board.

12. A ILIFFE: TESTS GIVEN BY THE CIVIL SERVICE SELECTION BOARD

Total Cost £1,600 July to September 1988

The consultancy involved the development of items for cognitive tests used by the Selection Board.

13. R CHILDS: TESTS GIVEN BY THE CIVIL SERVICE SELECTION BOARD

Total Cost £1,570 (including £205 refundable VAT) August to September 1988

The consultancy involved the development of items for cognitive tests used by the Selection Board.

14. B O'CONNER. STUDY OF FAST STREAM ENGINEERS

Total Cost £1,000 February 1988

Development work on a test to be used in the selection of of fast stream engineers for the Ministry of Defence.

PERSONAL MANAGEMENT GROUP

15. RICHARD WILLIAMS: PERFORMANCE OF WOMEN AND ETHNIC MINORITIES AT PROMOTION BOARDS

Total Cost £4,500 September 1987 to April 1988

The consultancy relates to two projects undertaken in conjunction with departments aimed at establishing how well women and ethnic minorities fare at promotion boards. The consultant followed a promotion panel from the initial sift of applicants to the final results stage, looking for any parts of the process which could be identified where women or those from ethnic minority backgrounds fared less well than their counterparts. The monitoring was first undertaken in two separate departments, following the progress of women in one department and of ethnic minorities in the other. A second stage involved monitoring both groups simultaneously in one department. In view of the nature of

this study, it was accepted that an independent consultant would be better placed to carry out the project than a departmental representative. The project was considered to be both valuable and good value for money.

16. BUSINESS RESEARCH UNIT: EVALUATION OF THE NEW STAFF APPRAISAL SYSTEM

Total Cost £34,801 December 1986 to May 1988

The consultancy was commissioned for the purpose of evaluating the new staff appraisal system. The use of outside consultants was necessary because of the scale of the task. Using external resources was also seen as an advantage in that those staff asked to comment on the appraisal system as part of the study, would be more inclined to feel that their views remained absolutely confidential. The consultancy was completed and paid for in stages with the value for money of each stage being considered before commencing the next stage.

17. CROWN ASSOCIATES: COMPUTERISED PERSONNEL INFORMATION SYSTEM

Total Cost £3,484 November 1987 to January 1988

The service provided relates primarily to lecturing fees for a talk given by an outside consultant on computerising personnel records, at two separate conferences sponsored by the OMCS. Some thirty departments benefitted from the presentation and were also able to receive advice, on an individual basis, from the consultant for the duration of the conference. The consultant also made some preparatory visits to departments in advance of the conference which, in view of the time scale, could not be done by departmental staff. It was considered justifiable having

a consultant of this kind as a speaker at the conferences. However, allocating time for the consultant to engage in sessions with individuals was not found to be worthwhile and is a practice unlikely to be repeated in the future.

18. RAY FIELDER ASSOCIATES: SELF APPRAISAL FOR HM INSPECTORS OF SCHOOLS

Total Cost £1,600 (£800 paid by Cabinet Office) 2 to 7 September 1988

The consultant was brought in to run a discussion group during a seminar on the subject of self appraisal for HM Inspectors of schools. The Department of Education and Science (who paid the other half of the costs) were keen to include an outside consultant with a wide experience on the subject.

19. EQUALITIES ASSOCIATES: COST EFFECTIVE GUIDELINES

Total Cost £39,000 24 October 1988 to 31 March 1989

The consultant has been commissioned to produce a set of cost effective guidelines for trainers on equal opportunities issues and will review good practice in five departments. The consultant used is regarded as being uniquely qualified for the task, whereas the Department has no particular expertise in this field.

ESTABLISHMENT OFFICER'S GROUP

20. VISTA: COMMUNICATIONS SURVEY

Total Cost £21,220 2 November 1987 to 17 May 1988

The project involved conducting a survey of Cabinet Office staff, by means of a questionnaire, to determine what more should be done to further improve communications throughout the Department.

The decision to use external consultants was taken on the advice of the Communications Steering Group, in the light of experiences with similar previous surveys. It is considered that the consultancy has given good value for money. To complete an in-house survey would have taken longer, involved a staff commitment that was not available within the Department and unlikely to have cost less than using outside resources.

21. CASU: DATABASE FOR NO. 10 CORRESPONDENCE SYSTEM

Total Cost £3,500 September 1988

The purpose of the project was to bring in a computer system for correspondence management to replace existing equipment. The short time scale in which this work has to be undertaken meant that it was not possible to utilise in-house resources. The project is thought to have given good value for money.

22. FACT INDEX LTD: INSTALLATION OF MANAGEMENT SYSTEM

Total Cost £5,000 January to February 1988

The consultancy was arranged as a pilot scheme for refining the existing computer networks within the Cabinet Office, which is expected to provide significant improvements and value for money. The required expertise for such a project does not exist within the Department.

CENTRAL STATISTICS OFFICE

23. ANNE HARRISON: JOB RELATED TRAINING SCHEME

Total Cost £600 10 May to 31 May 1988

The purpose of the consultancy was to provide advice on the appropriate national accounts treatment of payments made under the new job related training scheme, introduced in September. The

CSO had undertaken to decide on the treatment of the new scheme in employment and other statistics. The consultant that had been commissioned was a former member of the CSO and was one of only a few people who had a sufficient background of national accounts coupled with practical experience. To carry out the assignment in-house would have required diverting statisticians from other work and was more effectively organised as a contract.

CIVIL SERVICE COLLEGE

24. PE CONSULTANCY SERVICES: FUTURE DEVELOPMENT STUDY OF THE CIVIL SERVICE COLLEGE ADMINISTRATIVE SYSTEM

Total Cost £43,000 - October 1987 to April 1988

The consultancy was commissioned to analyse the operation of the College's existing administrative computer system; to ascertain user requirements in the foreseeable future; to develop a series of options and to recommend a preferred option. The consultancy has satisfactorily met the College's requirements. The College did not have the necessary expertise or resources to undertake the study.

SECURITY DIVISION

25. MEDICAL RESEARCH COUNCIL : POLYGRAPH STUDY

Total Cost £7,500. June 1987 to April 1988

At the request of Government an independent review of the use of the polygraph was completed to ascertain the feasibility of further research to determine the validity of polygraphic techniques and to assess the margins of error inherent in these techniques. The study was regarded to be both useful and good value for money, although there was no comparable yardstick by which to measure the results.

26. DR R S TAYLOR: SUBSTANCE ABUSE

Total Cost £2,105. March to April 1988

A commission was raised with Mr Taylor, a former Crown servant, to carry-out a review of the field of substance abuse. The commission was placed with an outside consultant because of the lack of in-house expertise. The consultancy proved to be satisfactory and provided good value for money.

TELECOMMUNICATIONS SECRETARIAT

27. LOGICA : ENHANCEMENT OF THE CABINET OFFICE BRIEFING ROOMS

Total Cost £14,000. 19 September to mid December 1988

The consultancy relates to specialist advice on the installation of new telecommunications equipment as part of the refurbishment of the Cabinet Office Briefing Rooms. The project was considered a high priority and the staff of the Telecommunications Secretariat did not have the spare capacity to meet the requirement.

WOMENS NATIONAL COMMISSION

28. ASHRIDGE MANAGEMENT COLLEGE : DEVELOPING THE EFFECTIVENESS OF THE COMMISSION

Total Cost £10,530. 7 March 1988 to 31 May 1988

At the request of the Co-Chairmen of the Commission, a consultant was brought in to provide a fresh and professional view on the future development of the Women's National Commission; with

particular attention to nurturing better value for money and more accountable management. As a result of the consultants report a number of recommendations have been formulated and will be reflected in the launch of a reformed Women's National Commission in the Summer of 1989.

OFFICE OF THE PARLIAMENTARY COUNCIL

29. CENTRAL LEGAL SYSTEM LIMITED: USER REQUIREMENT AND BUSINESS CASE FEASIBILITY STUDY FOR AN ELECTRONIC STATUTE LAW DATABASE

Total Cost £4,600 (£900 has been met by the Cabinet Office).
June 1988

30. YALE DATA COMPUTER CONSULTANTS: USER REQUIREMENT AND BUSINESS CASE FOR AN ELECTRONIC STATUTE LAW DATABASE

Total Cost £9,488 (£2,100 has been met by the Cabinet Office)
July 1988

The above two consultants were engaged to prepare a report on the user requirement and business case in connection with establishing an electronic database for recording information on statute law. In 1986 the Secretariat of the Statute Law Committee set up a Database Group, whose remit was to study and report on the feasibility of creating an electronic statute law database. The Database Group did not have the necessary technical expertise to take on this particular aspect, and therefore external expertise was brought in. The consultancies were thoroughly satisfactory and, in view of the relatively low costs, were considered to be good value for money.

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ANNEX B

JOINT INTELLIGENCE ORGANISATION

1. [redacted] (full study)

Total cost £115,790 March 1988

A full study of secure office automation systems has been conducted by private consultants to a satisfactory conclusion. Civil Service resources of the required quantity and quality were not available from departmental resources to complete the study in the necessary time scale.

2. [redacted] (evaluation support)

Total Cost £18,112 Started 7 November 1988.

The contract relates to an evaluation made of potential suppliers' proposals for [redacted]. The use of in-house resources was not an option, due to the constraints of the timing involved.

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 November 1988

Dear Kim

CUP PROGRESS REPORT ON PURCHASING, 1987-88

The Prime Minister was grateful for the Paymaster General's minute of 28 October, covering the 1987-88 Report by the Central Unit on Purchasing. The Prime Minister was pleased to note the progress that had been made. She strongly endorsed the Paymaster General's suggestion about the need for targets for future years which are demanding, though realistic; she also hopes that Ministers in charge of Departments will take a direct interest in their Department's response to the initiative.

The Prime Minister is content that the CUP Report should be published as the Paymaster General proposes.

I am copying this letter to the Private Secretaries to Members of the Cabinet, Eleanor Goodison (Office of the Minister for the Civil Service), Myles Wickstead (Overseas Development Administration), Michael Saunders (Law Officers' Department), Alan Maxwell (Lord Advocate's Department), Kate Jenkins (Efficiency Unit) and Trevor Woolley (Cabinet Office).

Yours sincerely

Dominic

Dominic Morris

Ms. Kim Elliman,
Paymaster General's Office.

DS

PRIME MINISTER

CUP PROGRESS REPORT ON PURCHASING

The report is fairly encouraging. At £250 million, the value for money improvements this year are close to a target (£275 million) which is substantially more ambitious than last year's £110 million target.

Content:

- to welcome it and endorse the points made by the Paymaster General? *Yes*
- for him to publish it later this month by way of an arranged PQ? *Yes*

DM
DM

7 November, 1988



Az Treasury Chambers, Parliament Street, SW1P 3AG

Dominic Morris Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1

7 November 1988

Dear Dominic

**CENTRAL UNIT ON PURCHASING: PROGRESS REPORT TO THE PRIME MINISTER
1988**

We spoke this morning and I attach notes explaining the apparent discrepancy between this year's and last year's report.

Kim Elliman

KIM ELLIMAN
Private Secretary

PM - 11/11/88 6

FROM: F MARTIN

DATE: 4 November 1988

MS K ELLIMAN
PS/PAYMASTER GENERAL

cc: Mr Anson
Mr Phillips
Mr Willacy
Mr F K Jones
CUP/A/16

cc APS/CX

CENTRAL UNIT ON PURCHASING: PROGRESS REPORT TO THE
PRIME MINISTER 1988

Following a query from No 10 I promised a note to explain the apparent discrepancy between paragraph 2 of the Paymaster General's minute to the Prime Minister of 28 October 1988 and paragraph 4 of his minute of 14 October 1987 on the 1987 CUP report (ie, that covering 1986-87).

2. The latter read as follows:-

"For this year and next, departments have targeted to achieve improvements worth around £390 and £450 million respectively."

"This year" being 1987-88. The differences in the figures stem from the inclusion in the 1987 CUP report of the PSA disposal receipts (my note of 31 October). The table below provides a reconciliation.

	<u>CUP 1987 report</u>		<u>£ million</u>	
	<u>1987-88</u> <u>targets</u>	<u>1988-89</u> <u>targets</u>	<u>1987-88</u> <u>results</u>	<u>1988-89</u> <u>targets</u>
Purchasing improvements	275	336	252	337
PSA disposal receipts	113	111	-not counted-	
Totals	388	447	252	337

("around 390 and 450")

("some 250")

3. The same factor explains the difference between the figure of "nearly £290 million" quoted in paragraph 3 of the Paymaster's minute of 14 October 1987 as "value for money improvements" in 1986-87, and the £168 million referred to in paragraph 2 of his 28 October 1988 minute. The "nearly £290 million" was £286 million, comprising £168 million of purchasing improvements and £118 million of disposal receipts.

4. I trust that this helps.

F. Martin

F MARTIN

2MC 31 OCT 1988 11

FROM: F MARTIN
DATE: 31 OCTOBER 1988

1. MR ANSON
2. PAYMASTER GENERAL

cc PS/Chancellor
PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Mr Monck
Mr Willacy
HEGs
Mr C D Butler
Mr Beastall
Mr Luce
Dr Freeman
Mr Gieve
Mr Pickford
Mr F K Jones
Mr Call
Mr Tyrie

CENTRAL UNIT ON PURCHASING: PROGRESS REPORT TO THE PRIME MINISTER 1988

Your Private Secretary's minute of 28 October asked for a note on the handling of PSA disposal receipts in CUP's 1986-87 report.

2. Attached is a copy of the equivalent table to that on page 6 of volume 1 of CUP's 1987-88 report. You will see that PSA disposal receipts were separately identified, but that the receipts figure was then added to the total for value of money improvements in purchasing and supply and the resulting total then expressed as a percentage of total expenditure. The presentation elsewhere in the 1986-87 report then used this higher, receipts-inclusive total and percentage.

3. The inclusion of the disposals figure followed representations first from PSA and then from their Minister, who argued that this aspect of the department's asset management role should be recognised. Since part of the purchasing initiative is to encourage departments to reduce their stock levels, it was argued that PSA's efforts to reduce the stock of land and buildings was analogous and relevant.

4. However, in its investigation of the purchasing initiative leading to the 39th report, the Public Accounts Committee did not accept this argument or presentational approach. The Committee pointed out (paragraph 12, copy attached) that the effort to dispose of surplus land and buildings stemmed from a separate initiative; considered that presentation on the above lines was "potentially misleading"; and recommended "that such receipts should not be included in future as reported savings from the purchasing initiative". Indeed, during the PAC oral evidence session on 27 April 1988 one member of the Committee put this in stronger terms, suggesting that there had been an attempt "to fiddle the figures". That suggestion was immediately and firmly rebutted, but was nevertheless picked up in some of the following day's headlines.

5. The presentation in the 1987-88 CUP report therefore takes account of the PAC's comments. The PSA's disposal receipts are noted in table 1 and in paragraph 1.11. But in neither the table nor the presentation elsewhere is the receipts figure aggregated with the total for value of money improvements in purchasing, while only the latter is expressed as a percentage of total expenditure. On this basis, the draft for the Treasury Minute in response to the 39th report will record acceptance of the PAC's recommendation.

F. Martin

F MARTIN

Annex 1

Analysis of Departmental Value for Money Improvements

	1986-87			1987-88			1988-89		
	£m Spend	£m VFM	%	£m Spend	£m VFM	%	£m Spend	£m VFM	%
MAFF	88.9	3.23	3.6	85.5	5.82	6.8	97.1	6.52	6.7
CO	16.1	0.94	5.9	16.1	0.86	5.3	16.5	0.78	4.7
CISCO	8.6	0.07	0.8	9.1	0.10	1.1	9.5	0.15	1.6
C&E	50.5	3.13	6.2	65.0	5.62	8.6	90.9	6.51	7.2
DES	12.8	0.37	2.9	13.1	0.40	3.1	15.4	0.42	2.7
DE	62.1	4.83	7.8	63.3	7.01	11.1	62.0	8.44	13.6
DEn	15.0	0.75	5.0	11.9	0.81	6.8	11.2	0.83	7.4
DOE	48.6	1.85	3.8	52.3	1.49	2.8	53.3	1.28	2.4
ECGD	13.7	0.72	5.3	11.3	0.60	5.3	16.3	0.86	5.3
FCO	117.7	3.50	3.0	113.5	3.31	2.9	136.3	3.01	2.2
GAD	0.3	0.02	8.5	0.2	0.02	10.2	0.2	0.02	10.4
HSE	21.8	1.41	6.5	20.1	1.00	5.0	20.5	1.02	5.0
DHSS	661.6	26.22	4.0	700.9	38.01	5.4	745.4	42.36	5.7
HO	349.9	20.59	5.9	336.7	21.05	6.3	280.3	14.17	5.1
IR	151.9	7.45	4.9	168.0	10.13	6.0	159.3	9.33	5.9
IBAP	132.0	5.75	4.4	181.4	19.14	10.6	212.7	21.23	10.0
LR	17.5	1.35	7.7	21.2	2.31	10.9	21.8	1.80	8.3
LCD	35.0	1.74	5.0	37.8	2.75	7.3	39.3	4.09	10.4
MSC	121.2	2.61	2.2	115.0	5.75	5.0	116.8	5.84	5.0
DNS	90.2	7.44	8.2	90.1	6.04	6.7	97.1	6.30	6.5
NICS	231.0	4.57	2.0	240.0	13.00	5.4	250.0	15.00	6.0
NICOS	5.7	0	0	8.0	0.48	6.0	10.7	0.59	5.5
NILO	0.3	0.02	6.6	0.3	0.02	7.3	0.3	0.02	7.4
OPCS	9.2	0.40	4.3	10.5	0.63	6.0	10.9	0.60	5.5
OS	11.0	0.38	3.5	12.4	0.69	5.6	12.8	0.79	6.2
ODA	78.0	3.50	4.5	94.0	4.25	4.5	164.0	8.20	5.0
PGO	4.7	0.28	6.1	8.0	0.47	5.9	5.4	0.33	6.2
RFS	0.7	0.03	3.5	0.4	0.03	6.5	0.4	0.03	7.8
RM	33.9	1.19	3.5	35.3	1.16	3.3	37.0	1.09	2.9
SO	173.0	13.08	7.6	188.8	13.17	7.0	199.8	15.49	7.8
DTI	93.6	2.94	3.1	96.5	3.86	4.0	102.5	3.97	3.9
DTp	1,060.5	20.18	1.9	1,085.8	34.45	3.1	1,135.5	96.74	8.5
TSD	1.5	0.04	2.6	1.4	0.20	14.5	1.5	0.19	13.0
HMT	15.8	0.88	5.6	20.2	1.39	6.9	19.6	1.36	6.9
WO	119.9	1.31	1.1	133.6	4.52	3.4	144.7	3.84	2.7
PSA(a)	2,194.4	25.40	1.2	2,305.3	64.00	2.8	2,120.9	53.10	2.5
SUB-TOTAL	6,050.6	168.17	2.8	6,353.0	274.54	4.3	6,417.9	336.30	5.2
PSA(b)		118.00			113.00			111.00	
TOTAL	6,050.6	286.17	4.73	6,353.0	387.54	6.1	6,417.9	447.30	6.97
TCS	195.3	16.19	8.3	197.8	14.97	7.6	198.5	14.50	7.3
HMSO	242.0	20.30	8.4	244.0	20.25	8.3	245.0	23.80	9.7

1. GCHQ achieved a saving of 3% in 1986-87 and have set a target of 5% for each of 1987-88 and 1988-89.
2. MOD and Crown Prosecution Service have been excluded from the table.
3. CCTA and COI claim savings are represented in departmental returns.
4. For PSA, the second figure given (b) represents the disposal of property assets, while the first figure (a) represents the other improvements made.
5. Any minor discrepancies in the totals are due to rounding.

EXTRACT FROM PAC 39th REPORT, SESSION 1987-88:

"THE GOVERNMENT'S PURCHASING INITIATIVE"

12. We consider it potentially misleading to represent the PSA's capital receipts from disposals of land and buildings as stockholding reductions notwithstanding their separate identification in the CUP 1987 report. These disposals are clearly not within the ambit of stockholding reductions envisaged by the MPO reports. Moreover, they stemmed from a separate initiative from Government Purchasing. We recommend that such receipts should not be included in future as reported savings from the Purchasing Initiative.



FROM: PAYMASTER GENERAL

DATE: 28 October 1988

PRIME MINISTER

*Report attached
folder.*

CUP PROGRESS REPORT ON PURCHASING, 1987-88

I enclose the progress report on 1987-88 by the Central Unit on Purchasing, under its Director, Mr Michael Willacy, on secondment from Shell UK. The report comprises two volumes; the first gives an overview of departmental progress and general developments; the second contains summaries of progress in individual departments. It looks at both achievements in 1987-88 and plans for 1988-89.

2. Departments reported value for money improvements totalling some £250 million in 1987-88, equivalent to just under 4 per cent of expenditure. The equivalent total in 1986-87 was £168 million. The overall increase reported is encouraging, although it was disappointing that some of the largest spending departments did not meet the targets they had set themselves. For 1988-89 - the last year for which targets have at present been set - departments have targets for improvements totalling £337 million, equivalent to 5 per cent of forecast expenditure.

3. The second section of Volume 1 reviews departments' progress in introducing the changes in organisation, systems and personnel development which were recommended in "Government Purchasing". Progress on this has been patchy, and in some cases slow. These changes are however needed if the increase in purchasing efficiency indicated by the value for money improvements is to be sustained. A key element will be suitable arrangements for the management of purchasing staff, in order to develop and retain the necessary expertise; work is already in hand to introduce such arrangements.

4. The report seeks to provide a balanced presentation both of the success which has been achieved by departments so far, and of the action which still needs to be taken to entrench these

COVERING MANAGEMENT IN CONFIDENCE

achievements in better purchasing practice. Its conclusion, which I endorse, is that the drive for improved purchasing efficiency needs to be maintained. The CUP will, of course, continue to advise and assist departments, drawing attention to those areas requiring improvement and agreeing timetabled action plans. But the main responsibility clearly rests with departments themselves.

5. To ensure that the improvements so far are maintained and to increase the pace of change, I propose two steps.

6. First, we should continue setting targets for future years, and departments should now set demanding though realistic VFM targets for 1989-90. This kind of performance measurement should become a continuous and integral part of management practice in departments. A recent PAC report (39th Report, Session 1987-88), which was somewhat critical of progress to the end of 1986-87, has already recommended that targets should continue to be set, and we need to reply to that report before the end of November.

7. Second, I would ask all Ministers in charge of departments to take a direct interest in their department's response to the initiative, in respect of both the VFM targets and of those relating to organisation, systems and personnel, including the work I have described at the end of paragraph 3 above. I hope that the summaries of departmental progress in Volume 2 of the report will be helpful in pointing to areas where action remains to be taken. Continuing Ministerial interest and encouragement in this area will be vital if we are to get the improvements we need.

8. I believe that these measures are necessary to re-emphasise the fundamental need for good purchasing management. They should also result in sharper and more challenging targets being established.

9. There is considerable interest in the purchasing initiative, and as last year I therefore propose to publish Volume 1 of the CUP report, with a press notice and arranged Parliamentary Question.

COVERING MANAGEMENT IN CONFIDENCE

10. Copies of this minute and enclosures go to Cabinet Ministers, to Richard Luce, Chris Patten, Patrick Mayhew and Kenny Cameron, and to Sir Robin Butler and Sir Angus Fraser.

P.B.

PETER BROOKE



File A7
ced TI

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

11 May 1988

Dear Karen

SOURCING IN BRITAIN DINNER

I enclose a copy of the final guest list for last night's dinner which your Minister attended.

The Prime Minister opened the discussion by referring to the previous dinner which she had hosted in 1986, and the succession of events which had taken place around the country. She described the current balance of payments deficit, and stressed the importance of turning round the current imbalance. She said that the UK economy had already made great strides, and that there was still much to be done if we were to overtake France and Germany, as she confidently expected we would. Your Minister then gave a brief resumé of the action that had been taken to date, stressing the importance of bringing together manufacturers and purchasers, and the need to ensure that procurement decisions were based on a proper awareness of quality and price.

The discussion then opened out, and I am recording only the key points that were made by various speakers.

Sir Simon Hornby: concerned that too many medium sized suppliers were unwilling to innovate and experiment, and that too many goods that were retailed were simply unavailable in the UK.

Sir Edwin Nixon: the vital importance to being very close to ones suppliers and indeed taking them into ones confidence with regard to future products.

Sir Ralph Robins: the importance of education, and the exchange rate.

Mr. Roger Kingdon: the need for UK suppliers to remain competitive. They had to compete with countries such as Japan who were now increasingly going in for third country manufacture.

LB

Mr. P. J. Tosch: the inter-relationship between quality, cost and service.

Mr. C.F.N. Hope: generally very optimistic, except that for items such as machine tools there were just no UK suppliers available.

Mr. Phillip Birch: the importance of new suppliers to be prepared to take risks in the market.

Mr. Richard Greenbury: the vital importance of ones relationship with ones suppliers. It was possible to persuade overseas suppliers to move their base to the UK if it provided a guaranteed market for output.

Mr. Michael Pickard: felt that things were getting worse because of exchange rate difficulties, the softening of the US market and the introduction of competition from Portugal, Greece and Turkey.

Sir Christopher Hogg: felt that currency problems were debilitating.

Mr. R.N. Gunn: concerned that plant and machinery were simply not available for the UK.

Lord Young referred to the work that DTI had in hand to improve quality and design and emphasised the changing role of DTI and ways in which they were ready to help firms innovate.

Unlike the last dinner which resulted in a check list of items for further action, particularly relating to public sector purchasing, there is no specific follow-up action required at this stage. But I know that the Prime Minister would like to be kept in touch with the work which your Minister is doing.

I am copying this letter to Stephen Ratcliffe (Department of Trade and Industry).

Z

Andy

P. A. BEARPARK

Ms. Karen Wilshaw,
Department of Trade and Industry.

LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER
AND MR. DENIS THATCHER FOR SOURCING IN BRITAIN ON TUESDAY, 10 MAY 1988
AT 7.45 PM FOR 8.00 PM BLACK TIE

The Prime Minister
and Mr. Denis Thatcher

Sir Basil Feldman	Chairman, Better Made in Britain
Mr. John Banham	Director General, Confederation of British Industry
Sir Edwin Nixon	Chairman and Chief Executive, IBM (UK) Ltd. Turnover £3.08bn
Mr. Ian Staples	Managing Director, Halfords Turnover £100m ('83 figure)
Mr. Philip Birch	Chairman and Managing Director, Ward White Group plc
Mr. Richard Greenbury	Chief Executive, Marks & Spencer plc
Professor Roland Smith	Chairman, British Aerospace plc Turnover £3.14 bn
Sir Ralph Robins	Managing Director, Rolls Royce Turnover £899m
Mr. Michael Pickard	Chief Executive, Sears plc Turnover £2.48 bn
The Lord Weinstock	Managing Director, GEC plc Turnover £5.25 bn
Sir Christopher Hogg	Chairman, Courtaulds plc Turnover £2.26bn
Mr. G.H. Whalen	Managing Director, Peugeot Talbot Motor Co. Ltd. Turnover £314m
Mr. C.F.N. Hope	Group Managing Director, Turner & Newall plc. Turnover £54lm
Mr. P.J. Tosch	Managing Director, Vauxhall Motors Ltd. Turnover £1.57 bn
Mr. Iain Vallance	Chairman, British Telecommunications plc
Mr. R.N. Gunn	Chairman, The Boots Co. plc Turnover £2.5bn
Mr. Peter Bonfield	Chairman and Managing Director International Computers Ltd. Turnover £1.3bn
Mr. David Baldwin	Managing Director, Hewlett Packard Ltd.
Mr. Colin Southgate	Managing Director, Thorn-EMI plc Turnover £3.2bn
Sir Simon Hornby	Chairman, W.H. Smith Group plc Turnover £1.28 bn

Mr. Roger Kingdon

Chief Executive Davy McKee Ltd.
Turnover c£125m

Mr. Richard Reynolds

Chief Executive, GEC/Plessey
Telecommunications Ltd.
Turnover £5.9bn

Mr. Ian Gibson

Deputy Managing Director,
Nissan Motor Manufacturers
Turnover £5.9 bn

Mr. J.S. Pennington

Chief Executive, United Engineering
Steels Ltd.
Turnover c£600m

Rt. Hon. Lord Young of Graffham

The Hon. Alan Clark, MP

Mr. Nigel Wicks

Mr. Andrew Bearpark

DRAFT SEATING PLAN FOR DINNER ON TUESDAY, 10 MAY

Mr. Andrew Bearpark

Mr. J.S. Pennington

Mr. Roger Kingdon

Mr. David Baldwin

Mr. Ian Staples

Mr. Iain Vallance

Mr. G.H. Whalen

Mr. C.F.N. Hope

Sir Basil Feldman

Sir Ralph Robins

Mr. Philip Birch

Professor Roland Smith

The Hon. Alan Clark

Sir Christopher Hogg

The Lord Weinstock

THE PRIME MINISTER

MR. DENIS THATCHER

Sir Edwin Nixon

Sir Simon Hornby

Rt.Hon. Lord Young of Graffham

Mr. Richard Greenbury

Mr. Michael Pickard

Mr. John Banham

Mr. R.N. Gunn

Mr. P.J. Tosch

Mr. Colin Southgate

Mr. Peter Bonfield

Mr. Ian Gibson

Mr. Richard Reynolds

Mr. Nigel Wicks

ENTRANCE

REVISED DRAFT SEATING PLAN FOR DINNER ON TUESDAY, 10 MAY

Mr. J.S. Pennington

Mr. Andrew Bearpark

Mr. David Baldwin

Mr. Ian Staples

Mr. Iain Vallance

Mr. G.H. Whalen

Mr. C.F.N. Hope

Sir Basil Feldman

Sir Ralph Robins

Mr. Philip Birch

Professor Roland Smith

The Hon. Alan Clark

Sir Christopher Hogg

The Lord Weinstock

THE PRIME MINISTER

MR. DENIS THATCHER

Sir Edwin Nixon

Sir Simon Hornby

Rt. Hon. Lord Young of Graffham

Mr. Richard Greenbury

Mr. Michael Pickard

Mr. John Banham

Mr. R.N. Gunn

Mr. P.J. Tosch

Mr. Colin Southgate

Mr. Peter Bonfield

Mr. Roger Kingdon

Mr. Richard Reynolds

Mr. Ian Gibson

Mr. Nigel Wicks

ENTRANCE

E.R.

PRIME MINISTER

You saw the papers for the Sourcing in
Britain Dinner over the weekend. Is there
anything else you would like us to get
for tomorrow night?

PAB

P. A. BEARPARK

9 May 1988

cc BLP

PRIME MINISTER

Attached are some briefing notes for the Sourcing in Britain Dinner on Tuesday. A possible format might be for you to make some opening remarks after the main course, supplemented by short speeches by Lord Young and/or Alan Clark. The discussion could then be opened out, with you summing up at the end. A possible theme is what has been achieved over the last eighteen months, and where should one go from now. Some draft speaking notes are attached, which could be amended to fit in with this.

Content?

PAB

PAB

6 May, 1988.

JD83

SOURCING IN BRITAIN DINNER: BRIEF

OBJECTIVES

To enable those present to share experiences of efforts to increase the proportion of their purchases met from competitive British sources and their plans for the future in this area.

To exchange ideas on how others in the private sector can be made aware of the commercial advantages of having a strong domestic supplier base and encouraged to positive action.

To focus on private sector purchasing and avoid discussion of public sector purchasing.

FORMAT

At a suitable point (just after the main course), the Prime Minister should set the ball rolling with her introductory remarks on the case for increased UK sourcing. Guests might then be asked for their organisations' experiences and intentions; and for their suggestions on how to get more of the private sector taking positive action. Finally, the Prime Minister should sum up, recording the commitment of those present to increase their efforts to seek out and work with suitable UK suppliers to their mutual commercial advantage and the national benefit.

BACKGROUND

"Sourcing in Britain" dinners

The first dinner (Lord Sieff's idea) was held by the Prime Minister on 29 September 1986. The previous Secretary of State for Trade and Industry (Mr Channon) continued the initiative with a further dinner on 15 January 1987. At that dinner, it was suggested that there should be a series of regional dinners to spread the message more widely. The Minister for Trade has held three dinners: in Birmingham on 12 November 1987, Edinburgh on 4 February and Manchester on 27 April. The Prime Minister's dinner is to be the last in the series.

Import substitution and competitiveness

Import substitution initiatives will only succeed in the long term if UK firms are competitive. They should be seen against wider Government's wider efforts to raise economic performance viz:

- reduced inflation;
- reduced taxation, both corporate and personal;
- increased role of market through deregulation, privatisation and more flexible labour market;
- control of and value for money from public spending;
- wider share ownership, and profit-sharing;
- help to business to acquire technology and skills to compete, rather than protection from failure.

DTI action to improve supplier performance

The Enterprise Initiative, launched in January, aims to improve competitiveness by encouraging enterprise, developing management skills and promoting best practice. It comprises initiatives on:

- business development (the consultancy initiatives - see below);
- research and technology;
- business and education;
- exporting; and
- regional assistance.

The consultancy initiatives offer financial support to small to medium-sized firms for consultancy in key management areas viz:

- design;
- marketing;
- manufacturing systems;
- quality;
- business planning; and
- financial and information systems.

Examples of DTI's specific import substitution initiatives

Ministerial speeches regularly press the commercial benefits of home sourcing.

Lord Young wrote to Chairmen/Chief Executives of selected firms about partnership sourcing and encouraging others to follow suit.

"Positive Purchasing" booklet (issued by Industry Matters last July but largely written by DTI) encourages firms to adopt purchasing practices which will help improve the competitiveness of British suppliers. Contains examples from companies represented at the Channon dinner in January 1987. Over 45000 copies have been requested.

The Channel Fixed Link Unit seeks to ensure UK industry obtains (in the words of the Prime Minister) "at least its fair share" of the contracts for the construction and operation of the Link. Information disseminated through regional information points, seminars and newsletters has helped ensure that 50,000 UK companies have registered as potential suppliers with TML, Eurotunnel's contractors. Of £220 millions of orders placed by TML, £208 millions have gone to UK firms in all areas and sectors.

Multinational vehicle producers in the UK are encouraged to produce more of their UK sales in UK factories and to increase UK content. Particular targets are Vauxhall and Peugeot-Talbot. Proportion of Vauxhall cars sold in UK which were made in UK has risen from 45% in 1985 to 70% now. Over the same period, UK content increased from 45% to about 56% (shifts in DM/£ rate have masked the real change).

A feasibility study in 1988 will examine how best to build on commercial source of supply databases. Development work will follow in 1989.

Following the major programme of discussions with retailers and their trade associations in 1986/7, officials continue to seek opportunities to promote import substitution.

Disclosure of Importers' Details

Following consultation with business last summer, the Government announced in the Budget Debate on 17 March that the 1988 Finance Bill would provide for disclosure from Customs' records of importers details against commodity codes. Implementation targeted for January 1989.

The data should add to the free flow of information on which competitive and efficient markets rely.

Public Sector Purchasing

Public purchasing policy is that goods and services should be purchased on the basis of value for money and that purchasers should seek to improve the competitiveness of suppliers through the conduct of that purchasing.

The Public Purchasing Initiative (PPI) is the programme designed to ensure that the "industrial" aspects of the policy are acted upon. While success under the PPI does not necessarily equate to increased levels of UK sourcing (improved supplier performance may be reflected in higher exports) it may lead to it.

Main elements of the PPI are:

- better dialogue with present and potential suppliers
- debriefing of unsuccessful tenderers;
- judging value for money on all factors, not just price;
- use of performance specifications (not detailed designs);
- use of purchasing power to pull through innovative products.
- use of standards and specifications of wide market relevance;
- use of third party quality assurance and product certification schemes;

Possibly as much as 85% of the public sector's and 94% of government's needs are met by UK suppliers. But given that public sector purchases amount to some £40 billion each year, imports are still considerable in absolute terms.

However, public purchasing has to comply with international obligations. The Treaty of Rome and associated EC Supplies Directives apply to procurement by central government, local authorities and bodies funded by them. The GATT Government Procurement Agreement applies only to purchases made by central government. Under both, entities covered must not discriminate on grounds of nationality of suppliers and must provide equal

opportunity for all qualified firms to tender for contracts.

EC constraints

The European Court has interpreted the prohibition on measures having equivalent effect to a quantitative restriction on trade (Article 30) very widely. Virtually anything HMG might do for import substitution reasons - particularly anything which stressed the national origin of domestic products - would be vulnerable to successful challenge by the Commission.

Giving help to private sector initiatives would not overcome the risk of challenge. We could be attacked under the "state aids" rules (Articles 92-94) for distorting intra-EC trade by relieving British industry of costs it should bear. The Commission could move very swiftly to stop or claw back payments.

Even wholly privately funded "Buy national" activities are vulnerable to attack under the competition rules (Article 85).

Overall Trade Position

The UK visible balance moved into deficit in 1983. Apart from a slight improvement in 1985, it has been deteriorating since this date, to reach around £9.6bn in 1987, or 2½% of GDP. Invisible earnings have been sufficiently large to keep the current balance in surplus until 1987, which showed a current account deficit of £1.7bn, about ½% of GDP.

The deterioration in the visible balance is largely the consequence of healthy export growth being outstripped by faster import growth. Excluding oil and erratic items, the volume of exports increased by an average of nearly 4½% a year between 1981 and 1987, compared with an average yearly increase for the equivalent import volume of 8%.

Import Penetration

The following table shows imports as a percentage of domestic demand in sectors which have seen large rises in import penetration.

Sector	1981	1987	Increase in market share of imports
	%	(prov) %	(prov) %
Manufacturing Industries	28	35	27
Metal Manufacturing	25	44	76
Non-metallic Mineral Products	9	16	78
Chemical Industry	30	41	37
Metal Goods	11	17	55
Electrical and Electronic Engineering	36	49	36

PRIVATE SECTOR INITIATIVES

Better Made in Britain (BMIB)

Initiatives include:

Maker/user exhibitions Aimed at highlighting import substitution opportunities for leading High Street retailers and public service organisations on a commercial basis. NEDO gives support. BMIB claims the exhibitions (visited by the Prime Minister, Mr Thatcher and various departmental Ministers) have produced £100M of extra business for the UK.

Retail Challenge Days To give UK suppliers the chance to offer competitive alternatives to imported lines. Events already held with B&Q. BMIB hopes to arrange events with Taylor Woodrow, Woolworths, Halfords and Alders.

QUEST (Quality Endorsement programme) A new third party product certification scheme aimed at improving standard of British consumer goods and raising shoppers' perception of them. DTI is giving support.

Regain (Regional Audit of Industry) Aimed at identifying opportunities for replacing imported components and materials locally, particularly in areas of high unemployment. DEM is giving support.

Think British Campaign (TBC)

TBC encourage consumers to seek out and to put pressure on retailers to offer competitive UK products. They are making a study of the improving quality of UK products and the application of quality standards, as a basis for a possible future promotional campaign.

Lord Joseph: Partnership Sourcing in Britain

Lord Joseph has combined with Lord Sieff, Sir Edwin Nixon, Sir Peter Carey and Mr Jonathan Charkham to encourage "partnership sourcing" in the UK. The group discussed ideas with Lord Young in November. Subsequently, Lord Young wrote to Chairmen/Chief Executives of selected firms seeking information about experiences and plans on UK partnership sourcing and ideas for encouraging others to follow suit.

DTI
May 1988

Trade - Government
Purchasing list

PRIVATE SECTOR INITIATIVES

sector made in Britain (BMB)

The private sector has been a major source of investment in the UK since the early 1980s. This has been particularly true in the case of the manufacturing sector, where private investment has accounted for a significant proportion of the total. The government has encouraged this through a variety of measures, including tax incentives and the establishment of the British Venture Capital Association (BVCA).

One of the key areas of private sector activity has been in the services sector, particularly in the financial and telecommunications industries. This has been driven by a combination of factors, including the liberalization of these markets and the entry of foreign firms. The government has supported this through the creation of the Financial Services Authority (FSA) and the Office of Communications (Ofcom).

Another important area of private sector activity has been in the infrastructure sector, particularly in the areas of transport and energy. This has been driven by the need for investment in these areas and the government's policy of privatization. The private sector has played a major role in the development of the UK's infrastructure, particularly in the areas of roads, airports and energy.

The private sector has also been a major source of innovation in the UK, particularly in the areas of science and technology. This has been driven by the government's policy of supporting research and development, and the entry of private firms into these areas. The private sector has played a major role in the development of the UK's science and technology sector, particularly in the areas of space, defence and information technology.

Joint British Canadian (JBC)

The Joint British Canadian (JBC) initiative is a major project of the UK government, aimed at promoting trade and investment between the UK and Canada. It was established in 1997 and is a joint venture between the UK Trade and Investment (UKTI) and the Canadian International Trade Centre (CITC). The JBC provides a range of services to UK and Canadian businesses, including market research, trade missions and investment promotion. It also provides a forum for UK and Canadian businesses to meet and discuss trade opportunities.

Lord Joseph: Partnership countries in Britain

Lord Joseph, the former Secretary of State for Trade and Industry, has been a strong advocate of partnership countries in Britain. He has argued that these countries offer a range of opportunities for UK businesses, including access to new markets, investment opportunities and the potential for joint ventures. He has also argued that partnership countries offer a range of benefits to the UK, including the potential for increased trade, investment and employment. Lord Joseph has been instrumental in the development of the UK's partnership countries strategy, which aims to promote trade and investment between the UK and a range of countries, including the USA, Canada, Australia and New Zealand.



SOURCING IN BRITAIN DINNER: SPEAKING NOTES

Welcome etc

January saw our worst ever deficit on visible trade. Figures for February and March were better but undeniably the trend over the year has been for imports to rise much more steeply than exports. In the first quarter of this year, the volume of our non-oil imports was 13% higher than a year earlier. By contrast, export volumes had grown by only ½%.

Of course, many of these imports are vital to production. Often raw materials have to come from overseas. But, will the increasing demand for intermediate goods, capital equipment and consumer goods be met by our own industry or someone else's? If British industry can win back and hold more of our own market, profits, jobs and living standards will all benefit.

For this reason, I am often urged to lead a "buy British" campaign. But even if there were no European Community rules in the way, I would not do so. No one would "buy British regardless" for long. And insofar as customers were persuaded to buy goods offering less than best value for money, this would not give British manufacturers the right signals to help them improve their performance in world markets.

Purchasers are not a breed apart. In many cases, they are part of a supply process. To stay competitive suppliers have to be able to buy materials and intermediate goods of the right quality, at the right price and at the right time. Government is providing conditions in which British industry can become more competitive, so that increasingly people buy British because British is best. But industry and commerce can help speed the process by "positive purchasing". Many of you here are already doing so.

"Positive purchasing" is a commercial approach to stimulating economic activity and better performance. By developing constructive relationships with suppliers, buyers can ensure that their needs are met cost-effectively and at the same time help enhance the wider competitiveness of British industry. We want purchasers to buy products, processes and services that reflect the requirement, in terms of price and quality, of world markets; and we want them to help put British firms in a position to supply them. We are asking public sector purchasers to do the same under the Public Purchasing Initiative.

Experience with the public sector suggests key requirements are: real and sustained top level commitment; and a clear understanding of the policy by purchasing personnel right down the line.

But what is the commercial case for such commitment? In many fields, UK goods now offer world-competitive quality and price. Just as important - but often ignored -, they offer lower acquisition costs. At the simplest level, UK suppliers use the same language and are easier to contact if a problem arises. But a strong domestic supplier base also means: less exposure to currency fluctuations; smaller orders with less capital tied up in stocks; better control over quality; readier access to back-up services; and so on.

Many of you will no doubt say: these are factors considered by any firm following best purchasing practice. And I would agree with you.

The question is: how to convince other private sector purchasers that they and their suppliers have a common interest in value for money and best purchasing practice seeks to emphasise and build on this. I believe the message will carry weight only if it comes from successful practitioners who are already reaping the commercial benefits, though Government will help where it can. I should welcome your ideas.



the department for Enterprise

ce BG

The Hon. Alan Clark MP
Minister for Trade

P A Bearpark Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

**Department of
Trade and Industry**

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Our ref L01AJT
Your ref
Date 5 May 1988

Dear Andy

SOURCING IN BRITAIN DINNER

Thank you for your further letter of 29 April about the format for this event.

Our main thoughts were set out in Marjorie Davies' letter of 29 March. As promised, I enclose draft speaking notes and briefing.

Our experience from earlier events suggests it is not necessary to prime participants to ask questions, though we could if the Prime Minister thought this desirable. Rather than dwell on EC/GATT constraints on action to promote import substitution, my Minister (and no doubt the Secretary of State too) would prefer to focus on what the Department is doing to help business to acquire the technology and skills they need to win a larger share of home (and overseas) markets.

Points covered in the progress report forwarded with Timothy Walker's letter of 24 December 1986 are handled by a number of Departments and a full update would not be practicable in the timescale. Where we know that points have been taken forward (eg on Customs documentation) we have generally covered

Pat Flap



the department for Enterprise

2

P A Bearpark Esq

May 1988

this in the briefing. However, most of the early points concerned public purchasing, whereas we are recommending that the Prime Minister focus discussion on private sector purchasing this time.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'K Wilshaw', is written below the closing.

KAREN WILSHAW
Assistant Private Secretary

ENCS



File

KK

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 May 1988

Thank you for your letter of 26 April to Mark Addison giving details of various management and computer consultancy contracts awarded by Cabinet Office in 1987. The Prime Minister has noted these, and remains concerned to ensure that the Cabinet Office, and indeed other Departments, really are getting value for money. Could you please let us have another report in say six months setting out the position then. On a point of detail I think the Prime Minister would prefer it if you listed the total cost of the consultancy at the top of each paragraph rather than simply the cost to the Cabinet Office.

P. A. BEARPARK

Miss Judy Wrighton,
Office of the Minister for the Civil Service

df

CF.
PPS pm industry X

PM 3/5

PRIME MINISTER

When agreeing a written reply about management and computer consultancy contracts awarded by the Cabinet Office, you queried the value of some of them and asked who was responsible for commissioning them.

I attach a note summarising what the consultancies involve and a covering letter which explains who is responsible for commissioning them.

The costs of the separate consultancies varied enormously. Most of those you queried were at the cheaper end of the scale. The exception was a study of the feasibility of short service contracts in the science group by Hay Management Consultants. This was designed in part to study how to attract skills in short supply such as electronics, etc., to the science group.

Do you wish to pursue this further? Or prefer to let matters rest for now?

We must keep an eye on it.
This is much too much like
frank. paper management.

MA

MARK ADDISON

29 April 1988

Would you also ask (look back at
the papers) how much we were saved

X) would be saved by setting up a central
Purchasing Unit [It was, I recall, at least
£1,000 million a year] and whether
that has happened?

RESTRICTED



File

J.D.

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 April, 1988.

Dear Karen

SOURCING IN BRITAIN DINNER: 10 MAY

I should be grateful for your advice on the proposed format for the coming dinner. One possibility would be for the Prime Minister to open the discussion with some general remarks based on the experiences of the previous dinners, followed by selected participants who had been primed in advance introducing various topics. Your Minister, for example, might find it interesting to say something about the progress in the GATT. Could you please let me know a suggested outline on how the occasion might be run by close of play on Wednesday of next week (4 May).

I reported on the outcome of the original dinner in my letter of 30 September to Timothy Walker. A further copy is attached for ease of reference. DTI provided a couple of progress reports on the various matters that had been raised, but the last I have been able to trace is Timothy Walker's letter to me of 24 December, 1986. It would be helpful to have a further update before the dinner.

Yours ever
Andy

(P.A. Bearpark)

Miss Marjorie Davies,
Mr. Clark's Office,
Department of Trade and Industry.

RESTRICTED

KK


CABINET OFFICE
OFFICE of the MINISTER
for the CIVIL SERVICE

GR
NIT CF

Quits

The Minister of State
Privy Council Office
The Rt. Hon. Richard Luce MP

Horse Guards Road
London SW1P 3AL
Telephone: 01-270 5929

C88/2305

Mark Addison Esq
10 Downing Street
LONDON
SW1A 2AA

26 April 1988

Dear Mr Addison,

Thank you for your letter of 31 March seeking further information about the management and computer consultancy contracts awarded by the Cabinet Office in 1987. The Prime Minister's reply of 30 March to a Written PQ from Tim Smith refers.

I have set out in the Annex to this letter a short note on each of the individual consultancies. As you will see, the last 6 items in the list relate to areas that were transferred to HM Treasury as part of the re-organisation of the central departments on 1 October 1987. The total cost to date of all the consultancies listed amounts to just over £230,000. On the whole, we are satisfied that we have received good value for money.

The responsibility for deciding whether or not to use consultants was transferred in 1985 to individual Responsibility Centre Managers, mainly at Grade 3 level, as part of the 'delegation package' that we introduced in response to the 1982 Financial Management Initiative. In certain circumstances, Responsibility Centre Managers have delegated the responsibility to lower levels within their commands. In the case of the three contracts awarded by the Civil Service Commission - items 6 to 8 on the list - the decision to employ consultants was taken by the Commission's Recruitment Research Committee which contains representatives from elsewhere in the OMCS and from HM Treasury.

In exercising their delegated powers, Responsibility Centre Managers are required to take account of the guidance contained in the 1985 Cabinet Office (MPO) booklet "Seeking Help from ... Management Consultants". A copy is enclosed for ease of reference. They are also required to take account of the procedures set out in the Establishment Officers' Guide. Our Internal Audit Unit has recently carried out a review of the Cabinet Office's consultancy procedures. The report is now being considered and our intention is to draw together all the available guidance into a single document within the next few months.

If there is any further information that you require, please let me know.

Yours sincerely,

Judy Wrighton

MISS JUDY WRIGHTON
Assistant Private Secretary

MANAGEMENT OR COMPUTER CONSULTANCY CONTRACTS AWARDED BY THE CABINET OFFICE IN 1987

TRAINING DEVELOPMENT DIVISION

1. BGM CONSULTANTS: IDENTIFICATION OF CORE SKILLS IN CLERICAL GRADES

Total Cost £15,162. January-March 1987

The consultancy was commissioned in connection with a major initiative on the training of young civil servants. It produced an inventory of work-based competencies and appropriate standards to form the basis of core skills training at Administrative Officer and Administrative Assistant levels. It was specified that the competencies and standards should reflect general Civil Service requirements and national occupational standards. The consultants were used because they had conducted research into related areas and there was no relevant experience available in the Civil Service.

2. DIANE BAILEY ASSOCIATES: PREPARATION OF A STRESS MANAGEMENT PACK. (See also Item 15 below)

Total Cost to Cabinet Office £2,418. Continuing to March 1987

Total Cost £12,918 !!!

The consultancy was commissioned as a result of growing interest in the subject of stress management, particularly from the training and welfare communities. Many government departments were already taking advantage of stress management training both within the Civil Service and externally, but what was needed was a source of information and practical help to enable training and welfare staff to work more effectively in the stress management field. Interested departments were invited to contribute to the cost of the consultancy which totalled £12,918. It became clear during the design phase that the work could also contribute to a publication to assist line managers. HMSO subsequently published and funded the stress management pack of 4 booklets as a commercial venture.

3. ITS LTD: GUIDE TO CONDUCTING TRAINING REVIEWS

Total Cost £9,290. October-December 1987

The project was aimed at helping Departmental Training Officers, as well as their staff and senior management colleagues, to understand the advantages of conducting a training review; to decide on the appropriate purpose, scope, timescale and resourcing of a review; and to plan the review itself. The production of the Guide has already led to a considerable reduction in the number of requests from departments to the Training Development Division for advice and assistance. The consultant who was used already had considerable experience of Civil Service training reviews and provided the most cost effective solution to the requirement.

4. SYSTEMS CONCEPTS LTD: TRAINING INFORMATION COMMUNICATIONS STUDY - FEASIBILITY STUDY

Total Cost £13,455. January-March 1987

Systems Concepts Ltd was commissioned to conduct a business analysis of the Training Development Division and to identify its information needs in order that it could do its job more efficiently. The results proved valuable, and, as recommended, a computer system has recently been installed to improve the Division's information processing. Civil servants from elsewhere in the Cabinet Office worked alongside the consultants, but the skills required were not available in sufficient quantity or depth at the time for the project to be conducted wholly in-house.

5. JOHN CHILDS: TRAINING INFORMATION COMMUNICATIONS STUDY - CUSTOMER NEEDS SURVEY

Total Cost £2,916. October 1987-January 1988

The feasibility study by Systems Concepts Ltd (Item 4 above) confirmed that recent policy developments, particularly those

arising from the central efficiency and effectiveness initiatives, meant that departments and the centre needed better and faster information from the Training Development Advisory Service. The Customer Needs Survey was designed in 2 parts: a questionnaire and analysis of results followed by a structured follow-up interview with a sample of volunteers. Only the second stage was conducted by a consultant, the first stage having been run in-house with advice from the OMCS's Personnel Management Group. To have employed a bureau or market research organisation for the whole project would have cost as much as £12,000.

CIVIL SERVICE COMMISSION

6. ANNE HUGHES-HALLETT: RESEARCH ON UNDERGRADUATE ATTITUDES TO A CAREER IN HM TAX INSPECTORATE

Total Cost to Cabinet Office £3,600. October 1987-March 1988

r/3600 from I.R.

The consultancy was in support of the shared aim of the Civil Service Commission and the Inland Revenue to improve the representation of suitably qualified entrants from the ethnic minorities in recruitment to the Inspectorate of Taxes. As such, it was a jointly-funded project to which each Department contributed £3,600. The survey was conducted independently of the Departments, thus necessitating the use of a consultant. It sought information about job and career choice, and attitudes to employment in the Inspectorate, amongst ethnic minority undergraduates at ten universities and polytechnics. When received, the report will help to inform decisions on publicity and recruitment strategy, with particular regard to equal opportunities considerations.

7. B O'CONNOR: SELECTION PROCEDURE DESIGN (ENGINEER RECRUITMENT)

Total Cost £1,000. September-October 1987

The project involved designing a group-selection exercise. It was complementary to in-house work on the design and enhancement of a new selection procedure for recruiting engineers with high

managerial and administrative potential into the Defence Engineering Service of the Ministry of Defence. In-house resources were not available to the required timescale.

8. NATIONAL FOUNDATION FOR EDUCATIONAL RESEARCH (NFER): APTITUDE TEST ANALYSIS

Total Cost £690. July-August 1987

The project was a collaborative exercise between the NFER and professional staff from the Civil Service Commission. Advanced computer-based analysis was applied to aptitude tests used in the selection of Executive Officers to identify any unfair bias against ethnic minority applicants. The project would have taken longer and would have been more expensive without access to the NFER programme. One of the benefits of the collaboration is that the Commission's staff have now gained experience of using an advance software programme.

CIVIL SERVICE COLLEGE

9. PE CONSULTING SERVICES: STUDY INTO THE FUTURE DEVELOPMENT OF THE CIVIL SERVICE COLLEGE ADMINISTRATIVE COMPUTER SYSTEM

Total Cost £43,000. October 1987-April 1988

The consultancy was commissioned to analyse the operation of the College's existing administrative computer system; to ascertain user requirements in the foreseeable future; to develop a series of costed options for the system's future development; and to recommend a preferred option. As yet, it is too early to assess the value for money achieved, but early indications suggest that the consultancy has satisfactorily met the College's requirements. The College did not have the necessary expertise to do the work in-house.

PERSONNEL MANAGEMENT GROUP10. CENTRE FOR TRAINING AND EVALUATION STUDIES: EVALUATION OF THE SELF INSTRUCTION PACKAGE FOR THE NEW STAFF APPRAISAL SYSTEMTotal Cost £18,808. February-October 1987

The consultancy was commissioned to evaluate the training package accompanying the Civil Service's new Staff Appraisal System. It involved interviews and discussions with those who had used the package. Consultants were employed because of the scale of the task and because of the specialist nature of the work being undertaken.

11. RICHARD WILLIAMS: EQUAL OPPORTUNITIES MONITORING PROJECTTotal Cost (to date)£4,500. September 1987-continuing

The consultancy embraces two projects which are being undertaken in conjunction with departments and aim to establish how well women and members of the ethnic minorities fare at Civil Service promotion boards. Richard Williams followed a promotion panel from initial sift to final results to see if there were any stages at which women or those from ethnic minority backgrounds did less well than their counterparts. The work undertaken to date has been in two separate departments - following women in one and ethnic minorities in another - and a further stage is planned where both groups will be monitored simultaneously in just one department. Because of the nature of the study, it was decided that an independent consultant should be used rather than a departmental representative. There are initial signs that the consultancy is providing good value for money.

12. BUSINESS RESEARCH UNIT: EVALUATION OF STAFF ATTITUDES TO THE NEW STAFF APPRAISAL SYSTEM

Total Cost (to date) £32,789. January 1987-continuing

A good manager would know this without spending £32,000.

The consultancy was commissioned to evaluate staff attitudes to the new staff appraisal system. The size of the task meant that it could not be done in-house. A further consideration was that staff were likely to be more forthcoming in their responses if these were addressed to an organisation outside the Civil Service. The work is in stages and each stage is assessed for value before progressing to the next.

13. CROW ASSOCIATES: RESEARCH ON COMPUTERS IN PERSONNEL MANAGEMENT

Total Cost £3,484. November 1987-January 1988

The consultancy was in support of two OMCS-sponsored conferences for departments developing their own Computerised Personnel Information Systems. The consultant lectured at the first conference and was available for consultation on an individual basis at the second. He also carried out some useful preparatory visits for which in-house resources were not available to the required timescale. Departments were charged for attending the second conference, with the result that a proportion of the consultant's fee was recovered.

14. KEITH ROBERTSON: CONSULTANCY FOR THE 'MANAGING ABSENCE' PROJECT

Total Cost £362. November 1987

The OMCS undertook a three month, in-house review of the current absence management procedures within the Civil Service with the aim of reducing the cost of sickness absence. Part of the work included

a review of the scope for simplifying the coding of sickness information. Keith Robertson assisted in an advisory capacity, and his firm has produced an alternative coding which may save administrative time. The potential savings from reducing sickness absence are huge; and Mr Robertson's contribution to the review was necessary and useful.

15. DIANE BAILEY ASSOCIATES: SURVEY ON PRESENTATION OF OCCUPATIONAL WELFARE SERVICE TO MANAGEMENT AND STAFF IN THE CIVIL SERVICE. (See also Item 2 above.)

Total Cost £9,124. March-June 1987

The consultancy was commissioned to ensure that the role of Welfare Officers was properly understood within the Civil Service. It was decided to use consultants to conduct a survey because they had the necessary resources and expertise in this field and could provide an independent view. The study helped to crystallise ideas and to suggest practical ways forward.

16. INSTITUTE OF MANPOWER STUDIES: ADVICE ON MANPOWER PLANNING AND COMPUTERS IN PERSONNEL

Total Cost £238. December 1987

The consultancy consisted of a presentation to representatives from approximately 30 departments at one of the Conferences on Computerised Personnel Systems (see Item 13 above). The Institute are acknowledged leaders in their field, and the presentation gave a useful insight into manpower planning which would not have been available elsewhere. Again, part of the fee was recovered from departments.

17. JOHN ROWLEY: PRODUCTION OF GUIDELINES FOR MANAGERS AND TRADE UNIONISTS ON JOB SATISFACTION PROJECTS AND A SUMMARY OF GUIDELINES FOR STAFF

Total Cost £2,340. February-March 1987

Mr Rowley was employed to produce the guidelines and to summarise them because of the urgency attached to the project by the Joint National Committee on Job Satisfaction. There was insufficient capacity within the OMCS's Job Satisfaction Team at the time to do the work in-house.

ESTABLISHMENT OFFICER'S GROUP

18. W O'KEEFFE: STUDY OF PURCHASING AND STORES ACTIVITIES

Total Cost £5,846. January-March 1987

The consultancy was recommended and arranged by the Central Unit on Purchasing to review the Cabinet Office's purchasing procedures and to identify options for improvement. The consultant concentrated on detailed working practices rather than on policy issues and, as such, the review achieved its objective of highlighting the main strengths and weaknesses in the Cabinet Office's purchasing patterns and procedures. No suitably qualified in-house resource was available at the time to undertake the review, but special arrangements were made for managing and overseeing the project to ensure that some of the consultant's expertise was acquired by the Cabinet Office's newly-appointed Purchasing Policy Adviser.

PERSONNEL MANAGEMENT 3 DIVISION (TRANSFERRED TO HM TREASURY ON 1 OCTOBER 1987)

19. HAY MANAGEMENT CONSULTANTS: A STUDY OF THE FEASIBILITY OF SHORT SERVICE CONTRACTS IN THE SCIENCE GROUP

Total Cost £30,767. January-November 1987

The introduction of short service contracts is intended to provide

greater flexibility in the employment of scientists; to attract those not normally interested in a Civil Service career; and to fill posts requiring skills in short supply such as electronics, mathematics and computing. The consultancy was commissioned to cover three key areas:

(i) advice on the type of remuneration package which would attract suitably qualified and experienced scientists;

(ii) an assessment of the attitudes and perceptions of recently qualified scientists to various types of employment package; and

(iii) advice on marketing the scheme.

The consultants had experience and knowledge of all the relevant areas which they were able to draw on readily to meet the requirement. There were no resources available in-house with the necessary experience and knowledge to carry out the work.

CENTRAL UNIT ON PURCHASING (TRANSFERRED WHOLLY TO HM TREASURY ON 1 OCTOBER 1987)

Note. In the case of all the consultancies detailed below, the necessary specialist expertise was not available in-house to enable the assignments to be completed within the required timescales. In most cases, the level of fee negotiated was considerably below that normally charged by the consultant. The combined effect of action resulting from the assignments is reflected in departments' improved performance of the purchasing and supply function as measured by their reported value for money achievements. All the consultancies were jointly funded during the 1987-88 financial year by the Cabinet Office and the Treasury.

20. PURCHASING INDEX (UK) LTD: DEVELOPMENT OF THE CENTRAL UNIT ON PURCHASING DATABASE

Total Cost £2,645. March-June 1987

The assignment involved the development of two separate databases to facilitate the analysis of departments' returns for reporting to the Prime Minister on value for money improvements and targets in purchasing and supply and on the market testing/contracting-out of services.

21. FRANK GRIFFITHS ASSOCIATES LTD: ADVICE IN CONNECTION WITH THE INSTITUTE OF CIVIL ENGINEERS' REVIEW OF CONDITIONS OF CONTRACT

Total Cost (to date)£328. September 1987-continuing

The assignment involves the provision of professional advice to support the Government's interest in commenting on the Institute of Civil Engineers' proposals for a 'New Style Contract' for construction and engineering projects.

22. R W WHITE: REVIEW OF ARRANGEMENTS FOR PURCHASING AND SUPPLY FUNCTION IN GOVERNMENT

Total Cost (to date) £15,745. March 1987-continuing

The initial assignment involved a study on the implementation of one of the recommendations in the December 1984 Cabinet Office (MPO) report on 'Government Purchasing'. The study was completed in January 1988 and departments are currently being consulted on the findings and recommendations. This process is due to be completed by the end of June 1988 and will require the consultant's further involvement.

23. E R SAMBRIDGE AND C EVANS: REVIEW OF SUPPLY AND SERVICE AGREEMENTS BETWEEN DEPARTMENTS AND THE CENTRAL PURCHASING AGENCIES

Total Cost (to date) £10,124. September 1987-possibly continuing

The initial assignment involved the study of progress on the introduction of Supply and Service Agreements following the 'untying' of departments from the central purchasing agencies in April 1987 and the drawing up of revised guidance and 'model' agreements. Departments have been consulted on the proposals and, in the light of their reactions, the consultants' further assistance may be required.

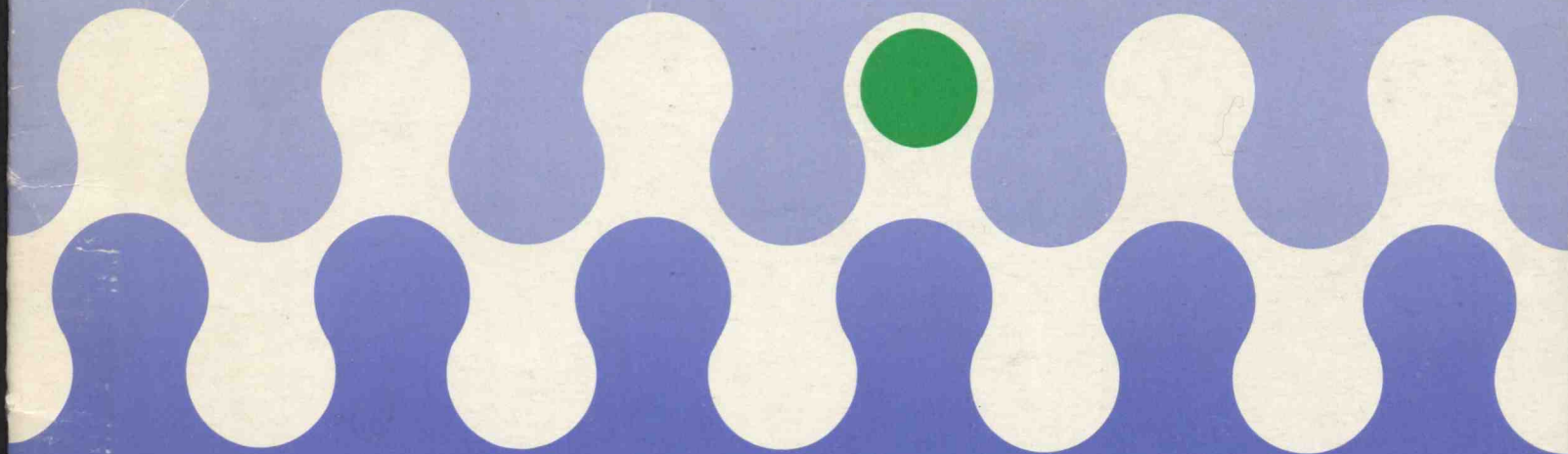
24. D F COLLINS: ADVICE ON WRITTEN GUIDANCE

Total Cost £4,483. Continuing to January 1988

The assignment involved advice on and the preparation of model conditions of contract, and of contract and procedures documentation for the Department of Education and Science.

April 1988

Seeking help from Management Consultants



CABINET OFFICE (Management and Personnel Office)

Seeking help from Management Consultants

INTRODUCTION

This booklet is addressed to managers who are thinking of seeking help from consultants on any aspect of management; whether it be about formulating strategy, planning and organising activities, setting targets, improving value for money, introducing new methods and technologies or any other element of the management process.

Its purpose is to save the time of busy people and to help them get full benefit from the consultants they may employ.

The guidance seeks a sensible compromise in terms of the level at which it is pitched. It starts from the premise that in what is bound to be an unfamiliar field the obvious may be overlooked, with frustrating and expensive consequences.

Pause for thought

What is your need and how will you best be helped?

Efficiency studies reveal that the staff in the organisation itself are often well aware of problems and possible solutions. What is needed in these circumstances is to release the talent and energies of those concerned. So the first thing to ask is:

Do you really need to do anything other than tap internal knowledge and experience?

In any case, read on – the same basic preparation will be needed whoever does the job, and you may pick up other useful tips on your way through.

Preparing the ground

Effective basic preparation is necessary whether a review is to be undertaken by staff from within the unit, or within the department, eg by management services staff, or by external consultants.

- Define clearly and precisely the problems/issues to be tackled.
- Define the benefits, to be attained eg decreasing costs, improving effectiveness, meeting increasing demands, improving the quality of service.
- Assess the possible benefits of the proposed review against the present costs of the work. (Is the exercise worth doing?)
- Draft provisional Terms of Reference (Main points at Annex 1).
- Prepare a background brief (essential for external consultants) (Annex 2).
- Think about how you will tell the staff concerned about the review to encourage positive support.
- Be sure to establish just whose budget will carry the cost of any consultancy and what money can be made available for it (in some cases a department may also need Treasury approval before committing itself).
- Find out your departmental practice for informing the trade unions.

Determining who should do the review

NB Whoever does the review, one person in your division *must* be made responsible for ensuring that the assignment is completed to time and to your satisfaction.

In deciding who should be given the task you will want to bear in mind that:

- someone from your own unit will understand the issues but may lack consultancy experience or may be unable to take a detached view. If you do decide to use internal resources, the staff *must* be given the time and encouragement to do the work;
- the staff in departmental support services will know, or have a good feel for, the working environment; they should be able to pick up details of the work and of the issue involved fairly quickly. They will be appropriately trained, take a detached view and either have a good breadth of experience or access to a pool of experience and they should have the time to do the assignment.
- a consultant from outside the Civil Service should contribute expertise and additional breadth. He should have time (but time = money). And calling in consultants offers the possibility of choice between competing firms. But consultants are expensive and the potential benefits need to be substantial to justify their employment.
- a combined team of consultant(s) and departmental staff can bring substantial advantages from learning from each other (eg about the work and organisation being studied, and about consultants' methods).

If you decide to use a management consultant

There are four main stages involved before the assignment proper begins. During the first three stages there will be an increasing exchange of information and the appraisal of the consultants and their proposals will become more and more detailed.

At each stage in the selection process determine, in advance, the criteria you will use for appraising the firms (see Annex 3). After each stage check what *facts* you have collected against the criteria. Do not hesitate to go back to the firm if any issues have not been covered adequately.

If the project is a large or complex one the selection should be undertaken by a small group comprising, the line manager from the unit concerned, a representative of the PEFO (if appropriate), and, someone expert in the specialist knowledge which the firm will contribute and someone experienced in assignment work.

Stage 1

INITIAL LIST

Is there a source of advice on management consultants in your department? Ask them for a list of firms that appear to be suitable.

Who else in your department has used management consultants? Tap their experience.

If you need more help in drawing up an initial list, seek advice and guidance from the appropriate source listed in Annex 4.

Contact the firms to find out which are interested. Before they can consider submitting formal proposals they will need to know the problem, the proposed terms of reference and timing, and some data to give a feel for the job.

Many of these preliminary contacts will be by phone. Questions to the firms based on the criteria which you will have set (eg relevant experience, work done and achievements) will quickly reduce the field.

Supply those firms that appear to be well fitted for the task with a background brief.

Stage 2

A SHORT LIST

Draw up criteria against which to assess the firms.

Invite the firms on your initial list to meet you separately, to discuss the assignment and their proposed approach.

Where it will help let them see the problems/work at first hand.

Select a short list of usually no less than three firms by assessing them against your criteria.

Invite those short-listed to put forward detailed proposals (see Annex 5).

Ensure that the firms have the opportunity to seek further information or explanation while preparing their submissions.

For very large or complex studies you may profit by selecting more than three firms and by inviting statements of competence, from all firms listed, to be submitted with their detailed proposals.

Stage 3

APPRAISING THE PROPOSALS

Decide on the criteria for judging the firms' proposals (including the calibre of the individuals they offer to do the work).

Examine the proposals in detail. Make comparisons

- between the proposals and the terms of reference;
- between each of the proposals.

Invite the firms to separate interviews. Make sure that those who would do the assignment attend.

During the interview clarify points of doubt and evaluate the proposals against your criteria. Probe differences between the proposals.

Be clear about:

- fees (what, precisely, is covered by them);
- responsibility for expenses (and what is meant by expenses);
- what happens if things do not go according to plan (eg the assignment takes longer than expected, the consultants want/need to extend or widen their investigation);
- access of the firms to higher management.

Stage 4

REVIEW

During the selection process keep your definition of the problem and your terms of reference under review to ensure that both are accurate and comprehensive.

Remember that you cannot expect the firm you select to meet your needs if they have been badly briefed. If things go wrong your case is weakened if the task is ill-defined.

THE CONTRACT

Is there a standard departmental contract? If not, work closely with the departmental lawyers in drafting the contract. Make sure that it covers what has been negotiated (see Annex 6).

Tailor the contract to the assignment. Build in the scope to vary it by mutual agreement.

Project control

You need to know if things are going wrong before they reach a critical stage at which delay, increased costs and other penalties become difficult to avoid. Identify the critical elements – deadlines which *must* be met; where difficulties are most likely to arise in the work and so on. Make sure that your project officer and the consultant keep their eyes on these.

It is the job of the project officer you have appointed to make sure that the consultant meets your requirements. He should:

- set up his own control process;
- understand the consultant's project control system, and know what it is revealing;
- arrange a timetable of interim reports and meetings, at key stages;
- establish a process for dealing with delays or difficulties;
- arrange for any interim repayments to be linked to specific progress of work.

This may seem a substantial duplication of what you might expect the consultant to do. But the consultant's control process is designed to meet his needs; it may not meet yours.

Securing the best value

NB Consultants frequently comment that departments do not get the best out of them.

Make sure that the consultants work for their money.

Make sure that the consultants do the job that has been commissioned.

Do tap their experience and expertise.

Ensure that the consultants receive the co-operation and information they need to do the job.

Make clear to all concerned the backing at senior level for the consultants.

Consider the potential benefits of an integrated team of consultants and departmental staff (see "Determining who should do the review").

If you decide against a team approach, attach an official to the consultants where appropriate. It helps them to become effective more rapidly and provides a useful sounding board for their proposals. The department profits by learning from the consultant at close hand.

Debriefing

Assessing performance

Review with both your own staff and the consultants how the assignment worked out. How did the consultants perform and how well did the department handle things?

Be open with consultants; good ones will always value constructive comments which help them to be more effective.

Keep a brief note

Before events fade from the memory, be sure that an objective and reasoned record is made of your final assessment of the consultants. It will help you, and it may help other departments on some future occasion.

Annex 1. MAIN POINTS FOR TERMS OF REFERENCE

The Terms of Reference (TOR) for a study are an important factor in its success. They are the basis for the contract between the client and the consultant. They should be a clear and precise statement of the scope, the timescale of the study and the product required.

As a minimum, the following points should be included in the TOR. As most often the product is a report, that has been used as a convenient focus for the list of points:

- a brief but precise description of the subject to be studied, the product required and the date for completion of the assignment;
- what the report should (or must) provide, eg
 - an appraisal of the present situation
 - a description of the work carried out in the study
 - identification of potential improvements with cost and benefits
 - a summary (specify number of pages)
 - an implementation plan;
- to whom the report is to be delivered and the timescale;
- the number of copies required (government departments usually require a greater number than clients in the private sector);
dates for any interim written reports, and what they should cover;
- the arrangements for the form and the times of progress reports;
- any specific exclusions from the study;
- any constraints.

Although the Terms of Reference should be well-defined from the outset, they may need to be reviewed during the selection process, and possibly during the course of the study itself.

Annex 2. BACKGROUND BRIEF

Listed below is essential information for any firm of consultants called in to help. Much of the detail is equally important for departmental consultants.

Do not assume that an outside consultant is familiar with the department's practices, its shorthand or jargon. Firms should be provided with the initial contact in the department and encouraged to seek any necessary clarification of the facts in preparation for the preliminary discussion.

The brief should include:

- a statement of the aims and functions of the organisational unit for which help is sought;
- a description of the organisation (an organisation chart), its costs, staffing, etc;
- where appropriate a background note to set the proposed assignment in the context of legislative, organisational or functional changes;
- clearly stated objectives for the assignment based on a full definition of the problem;
- provisional terms of reference that are appropriately *brief*, *specific* and *comprehensive*;
- an outline of the broad approach expected and an estimated timetable;
- an indication of any time constraints and budget ceilings;
- details of any particular skills and experience thought to be demanded by the task.

Annex 3. CRITERIA FOR APPRAISING PROPOSALS

ESSENTIAL CRITERIA TO BE CONSIDERED AT ALL STAGES

The relevance of the experience of the firm.

Press the firms to be specific

Achievements and results in the relevant field.

Their understanding of the problems, of the terms of reference and of the work that needs to be done. (All these are critically important.)

The quality of the individual the consultants will use. (Be sure to identify and appraise the staff who will do the work.)

CRITERIA PARTICULARLY RELEVANT TO EVALUATING SUBMISSIONS

The thoroughness of the preparatory work.

The work the firm proposes to do and not to do.

The methods to be employed.

The project control system.

The proposals for reporting.

The estimate of costs.

Annex 4. SOURCES OF ADVICE ON CONSULTANTS

1. The Cabinet Office (MPO) keeps a computer index of management consultants willing to undertake work in government departments. Its purpose is to help departments considering using management consultants by providing details of firms with expertise in subjects with which the department wants help. The index contains:

- an alphabetical list of all the specialisms in the index to help identify possible alternative descriptions
- name and contact details of the firms, with a list of specialisms for each
- government departments worked in during the last 4 years, and the departmental contact at the time.

2. The index is maintained on the BT Gold system under CONSULTANTS (in capitals, no quotation marks). If you do not have access to BT Gold, contact your Departmental Management Services Unit or your departmental link with Management Consultants. They will either obtain details themselves, or put you in touch with a BT Gold access point in the department.

3. Departments proposing to engage outside help in certain specialist areas should consult the appropriate central departments listed below for information on firms who may be suitable.

SPECIALISM

Management accountancy

Operational research

Accountancy advice, other than management accountancy

Statistical surveys

Social Surveys

Economic Studies

DEPARTMENT

HM Treasury: Accountancy Finance and Audit Division

HM Treasury: Operational Research Division

HM Treasury: Government Accountancy Service (Management Unit)

Central Statistical Office (Survey Control Unit)

Office of Population Censuses and Surveys (Social Survey Divisions)

Committee of Economic Research and Training Secretariat (Directorate of Economics and Financial Management, Civil Service College)

4. Departments should consult the Code of Practice for the use of Computer Consultants and Software Houses by Government Departments (issued by CCTA) if they propose to engage consultants on work which has mainly computer implications.

5. The Management Consultants Association which maintains a professional register with the Institute of Management Consultants (IMC) can also provide information on suitable firms of consultants. The IMC can similarly help in the case of individuals in practice as consultants. These organisations are not comprehensively representative.

Annex 5. FORMAL PROPOSALS

DETAILS TO BE INCLUDED IN THE CONSULTANTS' FORMAL PROPOSALS

NOTE: These are the core requirements. Individual circumstances may dictate the inclusion of other items.

1. The consultant's understanding of the problem.
2. The consultant's understanding of the objectives of the assignment and how these might be achieved.
3. The work to be done.
4. Any work to be excluded.
5. Starting date and timing of the assignment, and of individual stages.
6. Consultants to be deployed, including the time to be spent by each.
7. Support required from the Department.
8. Relevant experience of the firm and the consultants.
9. The basis of charging fees and any other costs.
10. If appropriate, an estimate of costs for the total assignment or for a defined first stage.

Annex 6. CONTRACT

The main points to be incorporated in the contract are:

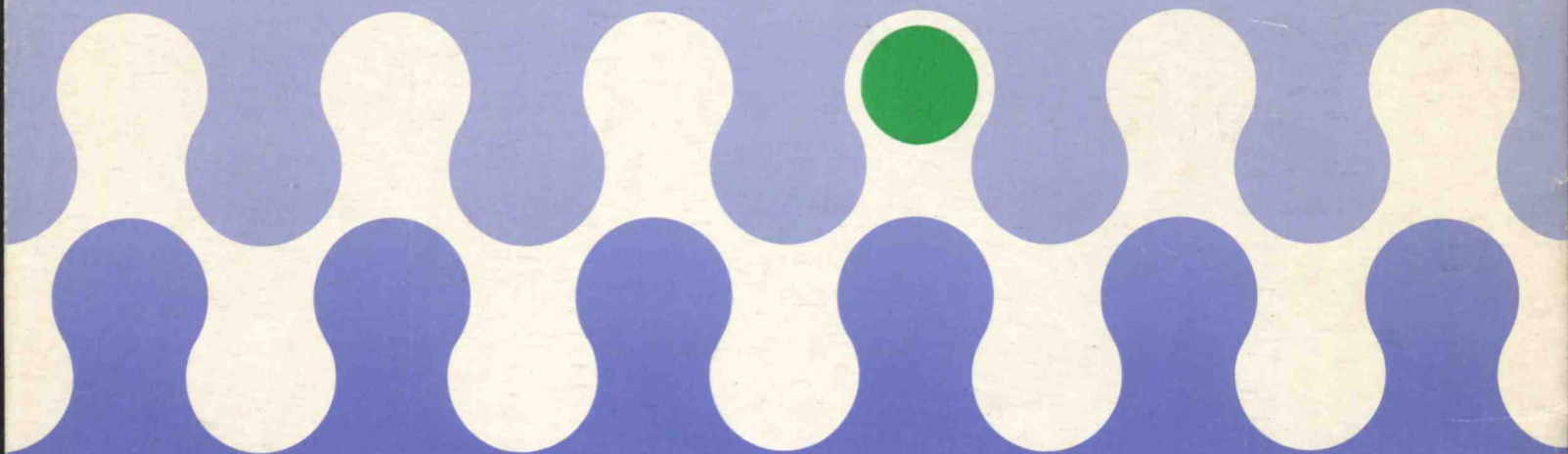
1. Full terms of reference.
2. The precise/estimated duration of the assignment.
3. The number, names and grades of the consultants to be engaged and the total number of consultant days agreed.
4. The daily rates of charge, what they cover (including a definition of the working day) and whether inclusive of VAT. Any offer of free time.
5. Any provision for variation of the rates of charge or cost ceiling.
6. Details and cost of any additional resources or services to be provided.
7. Which office, secretarial and other facilities will be provided by the consultant and which by the department. (It should be made clear whether any secretarial facilities include typing and duplication of the report.)
8. The agreed basis for defraying hotel and travel costs. (Actual costs up to the limits of the appropriate current Civil Service rates should be the norm.)
9. Provisions for early termination including the rights and liabilities of each party in such circumstances.
10. Requirements regarding security, confidentiality, and the declarations to be given under the Official Secrets Acts.
11. Where appropriate, agreement as to copyright, property rights, and royalties.

12. Essential requirements for the conduct of the study (for example, who leads it, the reporting arrangements, the participation of any departmental staff in the work, and the day to day liaison arrangements).

13. Any requirement for follow-up action including debriefing and further consultation, and whether there will be a related charge.

Despite care in prescribing the terms of reference and scope of a study it is possible that the nature of an assignment may change as the assignment develops, or additional skills may be thought necessary. It is advisable, therefore, to build into the contract a degree of flexibility to allow subsequent variations by agreement of the parties.

Seeking help from Management Consultants



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CUB/jc

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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

14 January 1988

Dear Ken,

**PROGRESS REPORT ON THE IMPLEMENTATION OF GOVERNMENT PURCHASING:
THE PUBLIC PURCHASING INITIATIVE**

Thank you for your letter of 7 December.

I was pleased to hear that your officials will be in touch with the Central Unit on Purchasing (CUP) to discuss how the Public Purchasing Initiative (PPI) can best be taken forward. I am sure that this will be helpful. I am also grateful for your confirmation that any significant changes in the way that the agreed PPI objectives are pursued by your department will be discussed with the Treasury.

You also suggested that we should review progress on the initiative early this year. As you know, it was agreed at the outset that CUP should monitor departments' progress on the PPI as an integral part of its monitoring of departments' progress on improving their purchasing performance generally. This was designed to avoid excessive reporting demands on departments. The monitoring is on a financial year basis, with departments' returns for 1987-88, including the PPI, due in early May. Any review of progress should be when these returns have been collated and assessed, in the light of this up-to-date information.

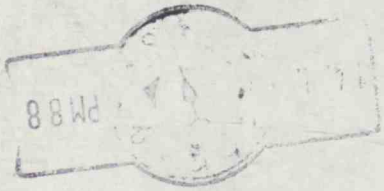
I am sending copies of this letter to the Prime Minister, Ministers in charge of departments, and to Sir Robin Butler and Sir Robin Ibbs.

Lms ever

Pm

PETER BROOKE

TRADE: Govt. Purchasing PTS





From the Chancellor of the Duchy of Lancaster
and Minister of Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY

1-19 VICTORIA STREET

LONDON SW1H 0ET

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ceby

ribpm

THE RT HON KENNETH CLARKE QC MP

Hon Peter Brooke MP
Paymaster General
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

7 December 1987

Dear Peter,

PROGRESS REPORT ON THE IMPLEMENTATION OF GOVERNMENT PURCHASING

Thank you for your letter of 17 ^{*Nov.*} November.

I welcome your agreement that the Public Purchasing Initiative (PPI) should be carried forward as an integral part of the general drive to improve purchasing performance and that the Central Unit on Purchasing (CUP) will now give more attention to securing progress in central government.

I also note that the CUP would welcome suggestions from here on how to carry forward the initiative and we will of course seek to meet their request. But, I have to say that, since the CUP - at their suggestion - took over responsibility for pursuing PPI in central government, DTI has followed their wish and stood aside from contact with departments. Lacking up-to-date knowledge of departmental circumstances and purchasing, we must now look to the CUP to take the lead in coming up with ways of implementing PPI in central government.

My officials will nevertheless be in touch with the CUP to feed in their ideas on how all this may best be taken forward. In particular the area of quality and standards - which you mention - has great potential for more effort. I suggest we should review progress on this and all aspects of the PPI early in the New Year.

NO5ABE



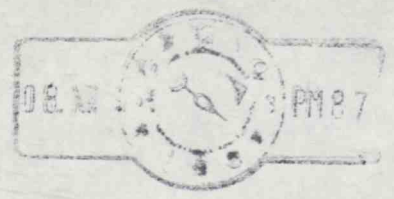
On your penultimate paragraph about the impact of the Commission's proposals in this field, I have asked my officials to continue to maintain close contact with yours. Clearly, I would expect to discuss with you any significant change in the way the agreed PPI objectives are pursued.

Copies of this letter go to the Prime Minister, Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

A handwritten signature in black ink, appearing to be 'K. Clarke', with a large, stylized initial 'K' and a smaller 'Clarke' written to its right.

KENNETH CLARKE

TRADE: GOVT Purchasing. P15





ccBq

2

PRIME MINISTER

PA 29/11

IMPLEMENTATION OF GOVERNMENT PURCHASING

clap p 4

1. I have read with interest Peter Brooke's minute of 14 October 1987 to you on progress with improvements in Government Purchasing.
2. I very much support this initiative and I am glad to say that it is also making encouraging progress in NI, with a significant contribution towards improved value for money and efficiency in the public sector. Valuable assistance provided by Mr Willacy and the CUP generally has enabled us to establish a similar Unit in NI. A purchasing specialist from GB, David Court, has taken up post as Director of the Unit and two further specialists on capital contracts and health and social services purchasing are being recruited.
3. The exercise is now gathering substantial momentum. In 1986-87 Government Departments in NI made savings of £4.6 against a target of £3m. The target for 1987-88 has been increased to £13m and I hope that we can exceed this substantially with savings of some £20m. Particularly interesting is a commercial Car Leasing Scheme for the Civil Service and the Public Sector instead of reimbursing people who use their own cars. This is expected to yield very considerable savings and must obviously be interesting for others as well.



4. The purchasing field is one where we intend to take full advantage of the compact nature of the Province and the scope for achieving cohesion within the public sector and pooling experience and expertise. We have therefore broadened the initiative across the whole public sector in NI, with firm commitments from all the main non-departmental bodies as well as the Departments to work closely with the Unit to secure the economies which are so important in the wider control of public expenditure. In addition to identifying short-term savings, the Unit is promoting improvements in the organisation of the purchasing function where necessary, developing an active training programme, and generally establishing sound commercial systems to enhance and monitor performance in the longer term.
5. Information on performance is being given high priority and NI is one of the original subscribers to the computerised price monitoring system initiated by CUP. The use of purchasing performance information is being developed to promote good management practice through a system for using not only price but also information about consumption to target areas for corrective management action. The system highlights areas of above average expenditure and is proving remarkably effective in prompting management action. It also has the attraction of being a very simple management tool which can be quickly applied in a variety of situations.
6. Initiatives to encourage industry and particularly small local firms produce the goods and services we require are also being pursued.



7. There is still much to be done but I believe that the purchasing initiative is making the broad-based positive improvements in NI which are envisaged by the Director of CUP in his report to you and I shall be continuing to take a close interest in this work.

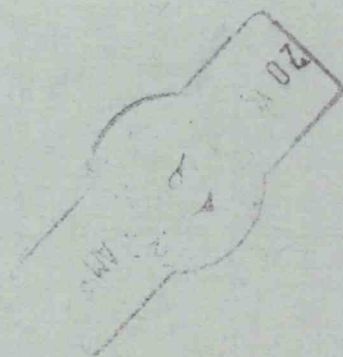
8. I am copying this to the Ministers who received Peter Brooke's minute and to Sir Robert Armstrong and Sir Robin Ibbs.

A handwritten signature in blue ink, appearing to be "T K".

T K

19. November 1987

TRADE: Govt purchasing pt 5.





nbpm
a/b

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Kenneth Clarke QC MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H 0ET

17 November 1987

Dear Ken.

PROGRESS REPORT ON THE IMPLEMENTATION OF GOVERNMENT PURCHASING

You minuted the Prime Minister on 29 October ^{Has PTU} about progress in implementing the Public Purchasing Initiative (PPI).

I share your concern that the PPI should be forwarded as an integral part of the general drive to secure improvements in purchasing performance. As the Central Unit on Purchasing's (CUP) report says, "The aims of the PPI are entirely consistent with, and complementary to, the good purchasing practices advocated by CUP".

As regards the role of CUP in this context, I have now seen the recent correspondence between Robin Butler and Sir Brian Hayes. I suggest that the best way forward would be for your officials to take up the invitation in Robin Butler's letter of 29 September to discuss the next steps. CUP would welcome any specific suggestions your Department has to carry forward the initiative, building on the guidance on buyer/seller relationships issued by CUP last April and the work of the quality/standards adviser. Not least it would be helpful to pick up the suggestion in Robin Butler's letter that CUP and DTI should examine those areas of Government purchasing in which it could be worthwhile to concentrate efforts in connection with the PPI. Such a meeting might also consider practical arrangements for improving the monitoring of PPI implementation. On this basis CUP will be better able to report on Departments' progress with the PPI as part of its normal cycle.

As you know, the purchasing guidelines agreed earlier this year were intended to be drawn to the attention of nationalised industries and local authorities. Clearly the Government has

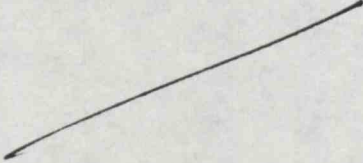
a role in impressing upon them the importance of securing value for money and, in the case of local authorities, of complying with the UK's international obligations. Because of the sensitive issues involved, including the Commission's wish to extend rules on procurement to bodies such as nationalised industries, and some private sector firms, I think we should discuss any changes in the way that we pursue our objectives. But, if you have suggestions on how our Departments could promote them more effectively, I hope you will let me know.

I am sending copies of this letter to the Prime Minister, Ministers in charge of Departments, Sir Robert Armstrong and Sir Robin Ibbs.

How ever

PB

PETER BROOKE



TRADG : Govt. Purchasing PTS





Treasury Chambers, Parliament Street, SW1P 3AG

Andy Bearpark Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON SW1A 2AA

9 November 1987

Dear Andy ^{10/11}

CENTRAL UNIT ON PURCHASING: PROGRESS REPORT TO THE PRIME MINISTER

Thank you for your letter of 30 October. *FILE WITH AD*

The Paymaster General has seen Mr Cope's minute of 6 November about small firms. I attach a revised draft PQ which takes his point on board. I understand that Mr Cope is content with this redraft, as is the Paymaster.

I also spoke to Mark Addison last week about the detailed timing set out in my letter to you of 29 October. Given C(P)(87)5, paragraph 114 b., I agreed with him that the PQ would be answered tomorrow, with the Report being placed in the Library of the House on Wednesday morning.

I enclose six copies of the edited version of the Report.

I am copying this letter to Mark Addison (No 10) and to Bob Ledsome in Mr Cope's office.

Yours ever

Simon.

S P JUDGE
Private Secretary

To ask the Prime Minister, what progress is being made in implementing the report "Government Purchasing" of December 1984.

Following "Government Purchasing" a Central Unit on Purchasing was established. The Treasury is publishing tomorrow the Unit's report on 1986-87, its first full year of operation. A copy of the report will be placed in the Library of the House.

The Unit's role is to provide advice and assistance to departments in improving the effectiveness and efficiency of their purchasing and supply activities. Mr Michael Willacy is Director of the Unit on secondment from Shell UK. About half of its small staff are similarly on secondment from private sector companies.

A target was set to achieve value for money improvements of £400 million a year from government departments' purchasing and stockholding by April 1987. The Unit records that in 1986-87 central government departments (excluding the Ministry of Defence which is not covered by this Report) achieved value for money improvements totalling £286 million, equivalent to 4.7 per cent of total expenditure on purchases of goods and services of some £6 billion in that year. The report also notes that departments are becoming more aware of the potential of small firms to provide value for money in purchasing and supply, and that some departments have taken worthwhile initiatives to encourage small firms.

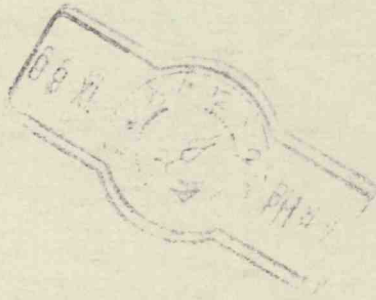
For 1987-88 departments (again excluding Ministry of Defence) have set targets for value for money improvements totalling £388 million, and for 1988-89 targets totalling £447 million, equivalent to some 7 per cent of forecast expenditure on goods and services in that year. The report emphasises that a great

deal remains to be done, including taking better advantage of the potential of small firms to provide value for money. But the achievements to date and the more ambitious target departments are now setting themselves for the future are encouraging.

TRADE

PURCHASING

PT 5





cBQ

16pm

PRIME MINISTER

PROGRESS REPORT ON THE IMPLEMENTATION OF "GOVERNMENT PURCHASING"

FLAP PTC

I have seen Peter Brooke's note of 14 October to you covering the report of the Central Unit on Purchasing for 1986/7. I have also seen the reply that it is proposed you should give on 11 November to an arranged PQ on this subject.

I believe that promoting Government purchasing from small firms is consistent with increasing competition and securing value for money. I was therefore interested in the points made in the report concerning small firms:

- only half of the departments could estimate how much of their business went to small firms; those that could estimated that it was between 1% and 50%;
- departments are becoming increasingly aware of the potential of small firms in achieving value for money;
- departments are not currently able to grasp this potential fully;
- where departments have taken initiatives, results can be achieved.

Whilst good progress has been made in some departments in ensuring small firms can compete for contracts, I believe that



more can be done in this field. We held a seminar for government purchasing officers on 3 November on the subject of purchasing from small firms to which I, Mr Willacy of CUP and others spoke. I propose to discuss with some of our colleagues ways in which access by small firms to their contracts can be improved.

In view of what the report says about purchasing from small firms, I should like to suggest the following addition to the PQ Answer, if you and Peter Brooke agree:

"Government departments are becoming more aware of the potential of small firms in achieving value for money and the report notes that some have taken worthwhile initiatives to encourage small firms. More could, however, be done in this area".

I am copying this to Peter Brooke.

Jc

JC
6 November 1987

TRADE
GOVT PURCHASING
PT 5





10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

3 November 1987

Dear Alistair

PROGRESS REPORT ON THE IMPLEMENTATION OF GOVERNMENT PURCHASING

The Prime Minister has seen, and noted without comment, the Chancellor of the Duchy of Lancaster's minute of 29 October on the above subject. I understand that the Paymaster General will be pursuing this directly with the Chancellor.

I am copying this letter to the Private Secretaries to Ministers in charge of Departments, to Simon Judge (Paymaster General's Office), Trevor Woolley (Cabinet Office), and Kate Jenkins (Efficiency Unit, Cabinet Office).

Yours

Andy

P. A. Bearpark

Alistair Morgan, Esq.,
Chancellor of the Duchy of Lancaster's Office.

ca

JAH/A/47 *ow*



Minister of State

Department of Employment

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MCA

P.A. Bearpark Esq
Private Secretary (Parliamentary)
Prime Minister's Office
10 Downing Street
LONDON

2 November 1987

Dear Andy,

The Minister of State is to be addressing a seminar for Government Purchasing Officials on Tuesday 3 November. The full text of his speech is being released to the press tonight. I enclose, for your information, a copy of his ... speech and a short brief on the seminar.

I am copying this letter to the Paymaster General.

*Yours sincerely
Jackie Campbell*

JACKIE CAMPBELL
Private Secretary

SEMINAR FOR GOVERNMENT PURCHASING OFFICIALS: 3 NOVEMBER 1987

Background

Following Ministerial discussions with Mike Willacy, head of the Central Unit on Purchasing, earlier this year, it was agreed that there should be a seminar to encourage government departments to do more to help small suppliers. The aim would be to encourage them to help small firms compete as effectively as larger ones for government business. Mr Cope, Minister with special responsibility for small firms is to open the seminar.

2 The half-day seminar is to take place on 3 November. Almost all major spending departments are to be represented. As well as Mr Cope, speakers will include Mike Willacy and representatives from MOD, British Aerospace and the London Enterprise Agency. There will be also a chance for discussion of the difficulties and opportunities for departments in buying from small suppliers, whilst keeping in mind the importance of securing good value for money.

3 Mr Cope aims to discuss subsequently with colleagues from other departments ways in which small firms could compete more effectively for their business.

Question and Answer Brief

1. Why hold such a seminar?

The Government is concerned that small firms should be able to compete on equal terms for government contracts. Some departments such as MOD are doing a lot to help small suppliers. A seminar will help us to put across the message that it is mutually advantageous to help small suppliers.

2. Aims of seminar reconcilable with value for money?

Certainly. It is commercial prudence to have a wide range of suppliers including small ones. Small firms are responsive to customers, resourceful in serving them. With low overheads their prices are usually very competitive. Large companies should also consider how they might benefit from small firms as suppliers.

SPEECH BY JOHN COPE: SEMINAR ON "ENCOURAGING SMALL SUPPLIERS"**3 NOVEMBER 1987**

I am delighted to welcome you to this seminar on "Encouraging Small Suppliers." I hope you will find it stimulating and interesting. Both the people you are going to hear and you yourselves are much more expert than I am on purchasing in general and on purchasing from small firms in particular but I wanted the opportunity to emphasise to you the importance of the subject and to set the scene.

Small firms are important to the economy. They are providing new jobs and they are contributing to the dynamism of the economy in every way. We believe it is in the interests of Britain that the Small Firm's sector should flourish and my appointment as the Government's Minister with Special Responsibility for Small Firms emphasises this belief. We have a range of programmes for assisting the sector in different ways. But this seminar is not part of another programme to help small businesses.

It is part of a programme to get value for money for Government. Of course it does help small businesses if you purchase from them, but I want you to do it in order to buy better and to save taxpayers money. I hope therefore that you will see that the aims and opportunities we are discussing with you today are consistent with and supportive of the other objectives you are set by Government. When we say to you "Think Small Businesses" we are saying "Think Value for Money" in a specialized way.

Small firms are very diverse, and everything that I say about them is inevitably generalised. But I think it is nevertheless valid to try to list the general advantages of buying from small businesses and the difficulties of small firms in supplying Government Departments.

It is obviously to the advantage of large purchasers (or for that matter small purchasers) to have a range of suppliers. It is ordinary commercial prudence not to be dependent on a single supplier for particular items wherever it can be avoided. Competitive prices, keenness of delivery and reliable quality are all enhanced by competition among suppliers. And it makes sense to ensure that some of the suppliers involved in

the competition are small. Their lines of communication are short so they are responsive to customers and resourceful in serving them. With a small firm you are much less likely to find that the despatch department didn't realise the order was urgent, because the people who despatch it are the same as the people who make it. Small Firms are used to low volume production for specialist demand. Their overheads are low. They are often very innovative to products and methods. This is partly because they don't need elaborate systems and of necessity think for themselves all day and every day. Above all remember that it is an arithmetical fact that an order which is a minute fraction of the turnover of a giant firm is a much larger proportion of a small firm's sales and consequently it matters more to them to get it right.

Nevertheless there are difficulties for the small businessman in trying to sell to Government Departments. Of their nature they are limited organisations often dependent on the strengths of one individual. They don't have specialist staff exploring Whitehall for opportunities, and Government Departments can look and feel very inhibiting from the outside. Small businesses are used to dealing with the Inland Revenue, VAT and sometimes other Custom and Excise departments.

They often have dealings with local Government planners or departments issuing licenses. Whitehall and Town Hall are usually machines to control and restrict their businesses. They may have difficulty trying to sort out our often opaque entries in the telephone books to find a purchasing officer. They may assume - normally incorrectly - that all purchasing is arranged centrally on a huge scale in some distant office. They are often less willing to go to the expense of putting in a speculative tender if there doesn't seem to be much chance.

Looking through the reports of purchasing from small firms from individual departments I am pleased to see some departments have taken useful initiatives in this field, and obviously feel they have helped their value for money objectives in doing so. I hope you will learn from each other as well as from the speakers. I realise the limitations of statistics in this field. The definition of a small firm is not a simple matter. Different people have different ideas about what is meant and there are anyway many possible degrees of independence and co-operation between different business enterprises - subsidiaries, agencies and so

on. The immediate source of goods is not always, indeed not often, the ultimate source. How do you classify a purchase of paper - probably manufactured by an international giant - from a small stationer operating on small margins?

I am sceptical about setting specific target proportions, of purchases to be made from small firms by public departments either administratively or by statute as in the United States. But we do and will monitor progress carefully with our colleagues in the C.U.P. I don't advocate a particular percentage of Government to be given to small firms regardless. I want them to have equal opportunities to get access to Government contracting. I want to ensure that the doors of Whitehall are open to small businesses, and that they know it. In a phrase, we want to make Whitehall more "User Friendly" in this and in other ways.

This seminar is not, as you realise a "one-off" isolated event. We in this department and the CUP are keen to help and encourage you to improve and extend

the developments which are going on in this field. We want to help at local level through our Regional Enterprise Units to put your local officials with purchasing responsibilities in touch with potential local suppliers.

I am myself anxious to discuss the efforts you are making to buy from small businesses, with Ministerial colleagues in the various departments to see what more they can do and how we can help. We want to give the message to you and to help you get the message down to your regional and local people.

The speakers today will go into detail on their own particular initiatives -

- Michael Willacy will give you a very expert view from the centre.

- Errol Grieve will be telling you of the pioneering and imaginative work of the MOD particularly in making opportunities known to

potential suppliers - for we all know that purchasing is not just sitting about waiting for salesmen to find you.

- Mr Shipston of BAe will tell you how a big private sector company approaches the problems, and Peter Barrow of the London Enterprise Agency is here to speak for the small firms themselves.

I am sorry I can't stay with you to hear the speakers and join in the discussion at the end. I have to go and prepare to take part in this afternoon's debate on our Employment Bill - my first significant speech in the House since I started an 8 year stint in the Whips' office in 1979! But I hope you find the seminar valuable, not only for the sake of small firms, but also to help you fulfil your task of getting value for the taxpayers money. It is in all our interests that you should succeed.

PART 4 ends:-

CDL to PM 29-10-87

PART 5 begins:-

D. Emp to AB 2-11-87.



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Charge: R090212