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Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon William Whitelaw CH MC MP
Secretary of State
Home Office
50 Queen Anne's Gate
London SW1H 9AT

11 May 1983

R. White

INFORMATION ABOUT PUBLIC EXPENDITURE

We have for some time been working on ideas for improving the Public Expenditure White Paper and other sources of information about public expenditure. These ideas are partly a response to pressure from the Treasury and other Select Committees. They are also linked to the work which departments are doing as part of the FMI, on the improvement of departmental information systems. It seemed timely to look at all the ways in which we produce and use information about public expenditure: for internal departmental management; for Ministerial consideration of the Public Expenditure Survey; for presentation to Parliament and the public in the White Paper; and for securing Parliamentary approval of Supply.

Treasury officials, with my agreement, recently consulted the Finance Officers of the major departments on a number of possible changes. While officials were conscious of the resource implications of any extensive change, they were, I understand, agreed that work on the following lines might be broadly acceptable:-

- a. for the 1984 White Paper, we should try to introduce a more consistent pattern for each of the main programme chapters in Part 2, with a greater emphasis on the statement of policy objectives and progress towards the achievement of those objectives;
- b. in the light of this, we should consider the introduction in 1985 of separate "programme" or "departmental" volumes to replace some or all of the existing Part 2 of the White Paper;
- c. in the meantime, one or more volunteer departments might produce "shadow" departmental volumes in parallel with

their chapter of the 1984 White Paper. These "shadow" volumes would not be included in the White Paper, but if they looked attractive, Select Committees, the PAC and the Procedure Committee could be invited to comment on them. The studies might be used to establish the feasibility in the longer term of amalgamating a (fuller) White Paper with (simplified) Estimates.

- d. Departments and the Treasury should in any case develop, wherever possible, common "building blocks" of data needed for internal management purposes, PES, Estimates and the control of running costs.

An essential feature of the scheme is that the changes would be introduced gradually as resources allow. The effects of each stage (a-c) would be assessed before the next stage was introduced.

... I agree that this is a reasonable and cost-effective way of tackling the work, and I commend it to you. The immediate need will be for an improved and more consistent presentation of the programme chapters of the 1984 White Paper, and I suggest that we should now set this work in hand. I am attaching a note of guidance for officials, which indicates what we have in mind. The suggested common framework is not intended to be a strait-jacket. Within it, there is still considerable room for variation to reflect the circumstances of individual programmes, and departments can provide additional information if they wish.

One or two departments have already indicated that they might be able to produce "shadow" departmental volumes on the lines indicated above. If this can be done it would be particularly helpful, and I have asked Treasury officials to discuss the possibilities further with the Finance Officers concerned. Any pilot work of this kind would be entirely voluntary at this stage. Such developmental work would, inevitably, require a certain commitment of resources, but I have no doubt of its value. In the longer term, there could be big economies from standardising and simplifying the way in which we present this information.

I am sending copies of this letter to other members of the Cabinet, to Paul Channon and to Sir Robert Armstrong.


LEON BRITTAN

IMPROVING THE PUBLIC EXPENDITURE WHITE PAPER

Guidance note by H M Treasury

Introduction

In recent years, as a result of great effort by departments, major improvements have been made in the presentation both of the Estimates and the Public Expenditure White Paper (PEWP). But we continue to come under heavy pressure for further change. The Treasury and Civil Service Committee (TCSC) has asked for further improvements to Volume II of the White Paper. The Procedure (Finance) Committee is likely to make similar, if more general, recommendations for an increase in the quality of information provided to Parliament.

2. These demands are part of a general trend towards the publication of more information on the background to Government decisions. At the same time, as part of the Financial Management Initiative, Departments are making major changes in their systems for management information, particularly on financial management. We are committed, by the terms of the Government's reply to the TCSC report on "Efficiency and Effectiveness," to publishing much more internal information of this kind. The danger is that we may build up separate systems for different purposes, causing additional and unnecessary work. We need to integrate the flows so far as possible for the purposes both of manageable planning and control, and of public presentation.

Improving the 1984 White Paper

3. It is intended that the forthcoming White Paper on the FMI should contain the following paragraph:-

"In particular, the Public Expenditure White Paper will in future contain clearer statements of the policy objectives to which expenditure is directed; and these will in turn be related to progress and performance indicators wherever possible. The intention is that both the White paper and the Estimates should, so far as possible, be derived directly from the information systems which departments are already developing for the management both of programmes and of their own activities and costs."

4. More detailed instructions on the preparation of the 1984 White Paper will be issued, as usual, later in the year. Principal Finance Officers have, however, agreed that programme chapters should have, so far as possible, the following common pattern:-

- brief statement of areas of expenditure included in the programme
- programme table in cash (as at present)
- cost terms equivalents for those years for which GDP deflators are available
- for each main element in the programme, brief statement of (a) policy objectives (related to trends and needs); (b) progress achieved towards objectives; (c) targets and criteria for future achievement. Wherever possible, output indicators should support the information in (b) and (c). Where specific indicators are not available, the basis of the qualitative judgements should be explained.
- other statistical tables with any necessary commentary
- bibliography, including in particular any relevant reports by Select Committees.

This framework is not intended to be a strait-jacket. Within it, there is room for variation to reflect the circumstances of individual programmes. Departments can provide additional information if they wish. In particular, Select Committees would no doubt find it helpful if sections of the improved programme chapters of the White Paper said explicitly where to look in Estimates to find the relevant supply expenditure for the year ahead. (This obviously need not be carried down to the last sub-head, but some cross-referencing would be helpful).

Possible changes after 1984

5. At this stage, no specific changes have been agreed by Finance Officers beyond that in paragraph 4 above. However, one possibility, modelled on the recently introduced Canadian system, would be for the Treasury to produce two volumes, one containing the equivalent of Volume 1 and parts 4 and 5 of Volume 2, and one for the nationalised industries as at present. For the rest, which is now in Part 2, there would be a series of volumes dealing with each main programme. (Big programmes like programme 4 might be broken down). These volumes could be prepared within a common format, as in the Canadian system, with minor variations and additional information if desired.

6. Within this framework, the Treasury would still need to be responsible centrally for the classification, collection and analysis of the data (derived from FIS) which provide the statistical backbone for Part 2. This is essential to obtain the standard aggregate figures needed for Volume 1 of the White Paper, for in-year monitoring at the centre, and for the raw material needed for macro-economic forecasts. To ensure consistency and central control over the total of expenditure, each volume would have to be seen as part of a series presented to Parliament by Treasury Ministers. But subject to that, each department would write the volume for its own programmes, agreeing the text with the Treasury as now. They

would be an annual account of the department's stewardship of the resources under its control.

7. Ministers will wish to consider whether to make these further changes, for some or all programmes, in the light of (among other things) reactions to the changes of format introduced in 1984. In the meantime some departments have already indicated that they might be willing to take part in pilot studies on these lines. The aim would be to produce "shadow" departmental volumes in parallel with their chapters of the 1984 White Paper. These "shadow volumes" would not be included in the White Paper, but Select Committees might be invited to comment on them. The Treasury will discuss this suggestion further with those Finance Officers who have expressed an interest in taking part, and with others who may wish to do so.

Possible longer-term changes - a closer link with Estimates

8. The proposals discussed above would simply recast and re-present the sort of information now contained in the White Paper. They could therefore be implemented in a fairly limited timescale. But it would be possible to go further than this, for example - again as in the Canadian model - to amalgamate the White Paper and the Estimates. A much fuller text of the White Paper would then serve as an introduction to a simplified presentation of Estimates, as well as explaining their relationship to other non-supply expenditure and the multi-year programmes. Departments could then supplement and further justify their Estimates in Memoranda to their Select Committees, including financial management data drawn from their internal information systems.

9. This longer-term design would depend on the development of a data-base supporting all three systems (PES/PEWP; Estimates; Departmental Management Systems). It is not suggested that Departments should take any specific steps now towards the introduction of such a change. However, where pilot studies are to take place on the preparation of departmental volumes, they may throw some light on the feasibility in the longer term of amalgamating a fuller White Paper with a simplified form of Estimates. More generally, Departments should also ensure that any early adjustments to the White Paper should be consistent with this possible longer-term development.

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Department of Education and Science

Office of Arts and Libraries
From the Minister for the Arts

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13th May 1983

The Rt Hon Leon Brittan QC MP
Chief Secretary
HM Treasury
Whitehall
LONDON SW1

Dear Sir,

Thank you for your letter of 11 May in which you set out some proposals to improve the information we provide about public expenditure. I note that officials have pointed to the resource implications of any extensive change and I welcome your assurance that changes would be introduced gradually as resources allow. Subject to this observation I find the proposals acceptable.

I am sending copies of this letter to the recipients of yours.

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[Handwritten signature]

PAUL CHANNON

13 MAY 1983

