



HOUSE OF LORDS,  
LONDON SW1A 0PW

CONFIDENTIAL

25 May 1989

The Right Honourable  
John Major MP  
Chief Secretary  
HM Treasury  
Parliament Street  
London SW1P 3AG

*NBRM*

*REC 6*

*20/5*

*Dear John,*

*IN ATTACHED FOLDER*

1. In accordance with the guidelines agreed by the Cabinet I have reviewed the priorities within my departmental programme. As a result I am compelled to seek the additional resources described in the annexe to this letter.

2. My officials will as usual be submitting more detailed information to your officials. Meanwhile, I enclose Management Plans for LCD, Land Registry and Northern Ireland Court Service. The Public Record Office are in separate discussions with your officials about the form and content of their plan. Incorporated within these plans is information on output, performance and value for money.

LCD

3. When we concluded last year's negotiations you will recall that, in agreeing to accept a three year settlement for running costs, I made it clear that a combination of the wider economic background, and the major changes affecting my Department might force me to seek to reopen the agreement this year.

4. The intervening period has seen a number of developments which, collectively, leave me no alternative but to do so. These include the further development of the civil initiatives and their resource implications, the publication and discussion of the Green Papers on Competition Policy and the legal profession, the recent round of pay increases and the unforeseen growth in inflation. Although the Management Plan, which accompanies this letter, successfully demonstrates the requisite efficiency gains over a whole range of the department's activities, I do not believe, therefore, that it would be sensible or practical for me to seek to agree with you a revised three year settlement. The department is involved in a large management of change exercise. Many of the factors which affect the various businesses are liable to change over the period in question and often for reasons outside our control. In these circumstances, and notwithstanding progress in quantifying the likely resource effects, a future need for net additional resources over the Survey period is a real and unavoidable possibility which a three year settlement would deny us.

5. The Management Plan is built around my Departmental Strategy, the key elements of which relate to the reorganisation of civil business and competition within the professions. As you are aware from other correspondence I intend to pursue this through a phased programme of implementation geared to the Department's management capacity to deliver and the general capacity of the system to absorb the changes. Nevertheless, despite the phasing, some additional resources are required and these are covered in more detail in the official letter. These are carefully targetted increases and I shall be looking to all managers in the department to use maximum flexibility in the deployment of staff and resources during the period of implementation.

6. Turning to the Green Papers, you will be aware that the precise resources implications of the proposals have yet to be quantified, although my bid does include the sum of £500K to cover the costs of setting up and running the proposed Advisory Committee. However, the real impact of the Green Paper on the current Survey relates more to the additional attention it has focused on the performance of the Courts. I must ensure that we do not attract undue criticism at a time when we are seeking to reform the legal profession.

7. The effect of the recent round of pay awards has been much higher than I anticipated last year. This is especially so in London and the South East where, largely of necessity, more than half my Department is situated. Whilst I welcome the moves towards more flexible pay, the extension of performance pay and increases in the maximum payable for local pay additions as an aid to recruitment and retention, the funds these demand cannot be absorbed within existing provisions. The problem is, of course, aggravated by the unexpected increase in inflation which makes it almost impossible to find savings to help finance pay settlements.

8. As usual, expenditure on accommodation features large in my running costs expenditure. This has been given added emphasis in the current Survey because of the acquisition of new responsibilities for accommodation from 1st April 1990. I have to say that we have not been helped in our work to ascertain our requirements by the delays in sending us essential data.

9. All these considerations make it necessary for me to seek additional provision for running costs of the order indicated at Table 2. Although the sums of money sought are not insignificant I must stress that I am not bidding for any additional manpower for continuing business beyond that already included in my published manpower plans. The additional manpower shown at Table 2 is solely for the implementation of the various initiatives and a detailed breakdown is contained in the official material. The revised provision I seek will enable the Department to pay the total number in the manpower plans plus the targetted additions referred to above, in the light of the assumptions we have made about pay and other price increases. I will, of course, have to look at my manpower plans afresh in next year's Survey and I cannot discount the possibility of increases being required then.

10. Revised assumptions on price increases are largely responsible for the additional bids for general non-running costs and Jurors and Court Reporting. The latter also take account of the opening of new courtrooms.

11. The bid for judicial salaries payable from the Consolidated Fund takes account of revised numbers, including some additions for new initiatives, as well as higher assumptions than last year about TSRB pay awards.

12. I must again seek increased provision for the court building programme. Notwithstanding its vital importance to the achievement of operational targets in the Court Service, the programme is little changed from last year. But, with inflation in the construction industry remaining high, the additional provision is necessary to keep the programme on target.

13. Problems of inadequate and inaccurate forecasting of expenditure and poor and late information continue to undermine the programme's effective planning and control. An added difficulty this year is that PSA are moving to a new system of fee charging, to replace resource costs, and have not yet supplied precise details of how this will work.

14. As usual, in order to arrive at the additional bid we have made a realistic estimate of likely slippage on the programme. However, in the light of events in 1988-89, we have been a little more cautious about this than in last year's Survey. Reduced slippage should, of course, continue as we make improvements in our project management.

15. The position on legal aid remains very similar to last year. With the help of the Treasury we have been examining our forecasting techniques to try and improve their accuracy. The application of the Holt Winters forecasting method has been run on a trial basis and is now being evaluated. However, it is too early for this to have had any real effect on the forecasts produced for this year's Survey. Nevertheless, my bid for the first year is a modest one and, although it increases in the second and third years, the assumptions used are proper and defensible.

16. The Legal Aid Board has now taken over the administration of legal aid. The Board is developing a corporate strategy and has already drawn up an I.T. strategy which was sent to your officials some weeks ago. The bid I am making includes additional funds to allow the strategy to proceed. The Board have already set themselves testing targets for improving efficiency and effectiveness within the administration of legal aid. These will involve some reorganisation of Area Offices etc. and it is necessary to seek additional funds to cover the cost of the consequential redundancies. In addition to these specific items, the Board is, like the Department, affected by higher than expected pay and price increases.

17. The modest additional bids I am making for Office and General Accommodation and Law Centres are dealt with more fully in the official letter.

18. You will see from Table 2 that I have again costed separately the effects of major new policies on my Department's programmes and my officials will deal with this in more detail. Where possible, we have sought to keep your officials in touch with our work on the assessment of the resource implications of these policies and the only policies likely to be new to them are the Statute Law Database and the Report on Security at the Royal Courts of Justice.

19. You may recall that the Review of Government Legal Services conducted by Sir Robert Andrew recommended that work already in hand on a computerised database of statute law should be "pushed ahead as a matter of urgency". This work has been proceeding under the aegis of a committee chaired by my Permanent Secretary and I have agreed that my Department should take the lead in the management of this project. I am keen that this project should proceed as I believe it has the potential to bring considerable benefits to Parliamentary Counsel, Parliament and the whole of the Government Legal Service. A copy of the Preliminary Study Report is included with the official correspondence.

20. A comprehensive report on security at the Royal Courts of Justice has been conducted by the Security Services. This reveals some worrying deficiencies in the level of security currently provided and a Working Party here is examining how best to take this forward. The figures shown in Table represent the best estimate to date of the costs of implementation.

21. Turning to the other policies, the bid for legal aid resulting from the extended use of DNA testing in immigration cases is based on workload assumptions produced and agreed by Home Office and FCO. Your officials are familiar with the issues on satellite T.V. links and my bid is provisional pending a decision by Home Office Ministers on implementation. We corresponded on the Football Spectators Bill earlier in the year and you agreed that the resources issues should be resolved in this year's Survey. My bid for the Road Traffic Law Review is also provisional, pending decisions on a legislative slot becoming available.

22. The decision to set up a Patents County Court came out of the Copyright, Designs and Patents Act 1988. My officials are in correspondence with DTI officials about the possibility of a PES transfer. However, I thought it prudent to put in a formal bid at this stage.

#### LAND REGISTRY

23. The provisions sought by the Land Registry in its Submission seek simply to convert the fees paid by applicants for registration into the cash and resources needed to deliver registration services. I am pleased to say that target unit costs for 1988-89 have been met and the targets for the survey period provide for further year on year improvements. The Submission recognises the decline in property market activity but seeks to maintain output at the level needed to reduce the accumulated backlog of cases and so restore an acceptable level of service. The capital building programme reflects the need to meet the department's expansion and relocation plans as outlined in the Registry's Management Plan. These plans will continue to develop the potential in existing locations, the relocation of work from the south-east and to improve overall unit costs.

24. The effect on the department's workload of opening the register to public inspection (under the enabling provisions of the Land Registration Act 1988) cannot be reliably assessed. This will only become clear once the service is available and at this stage no specific provision has been sought other than some minor capital and current expenditure of preparatory work based on small system computing.

25. All the additional current and capital expenditure sought will be entirely covered by Land Registry fee receipts so no demand on public expenditure arises.

NORTHERN IRELAND COURT SERVICE

26. In the 1988 Survey the Court Service obtained increases in running costs for the first year, with a small nominal percentage increase in subsequent years which was to be reviewed during the 1989 Survey. While case disposals are expected to increase by 4.5% over the 1989 Survey period every effort is being made to contain this within present staffing and judicial complements. The Service is also endeavouring to contain and, where possible, reduce its general administrative expenditure. Because of their efforts in achieving better value for money and rationalising and computerising office systems the running cost bids in years one and two have been restricted to the percentage increases necessary to meet the present staffing ceiling pay costs. In year three there is an additional bid of £93K to meet the increasing costs of computer hardware and software support, rental reviews and the Senior Management Development Programme.

27. The capital building programme has suffered greatly in recent years due to security difficulties and intimidation of contractors. The upshot is a considerable amount of re-scheduling which has resulted in a reduction in provision in the first year and re-instatement in subsequent years. Provision is also being taken in the second and third years for the replacement of Dungannon and Antrim courthouses and the extension and refurbishment of Newry courthouse. The Grant-in-Aid to the Law Society to meet the administration costs of legal aid has increased by a little over £100k per annum, largely attributable to revised pay assumptions.

28. Finally, you mentioned last year your concern at the growing expenditure on legal aid, the degree of control and available management information. In the intervening period LCD officials and their counterparts in the NICS have been examining the financial and management information systems in use in both jurisdictions and a consultant has been engaged in NI to develop the systems necessary to support this function. Her report and recommendations should be available in September. I have also been concerned about the backlogs of civil business in the Legal Aid Department and, in order to increase efficiency, propose to reduce the work on initial case assessment by extending and encouraging the use of the Green Form Scheme. This will bring forward the payment of certain cases, necessitating additional provision of £674k in the first year, though this will largely be recouped in subsequent years. The bids for the second and third years relate to the increased use of Legal Advice and Assistance and Assistance by way of Representation.

PUBLIC RECORD OFFICE

29. Funding for planning and construction of the Kew extension continues to constitute the major element of PRO's additional bids. The existing baseline contains a substantial element for this and other major capital projects but the bringing forward of building work at Kew and slippage on computer projects (largely due to difficulties in recruitment and retention of IT specialists) have

made a revised profile of expenditure necessary. These changes affect the design and implementation of the machine-readable data archive (MRDA) and computerised records information system (RIS); completion of work at Chancery Lane to convert the basement into reading rooms ready for the opening of the 1891 census returns in 1992; and continuing refurbishment and conversion of accommodation at both Hayes and Chancery Lane to provide additional record storage.

30. The major element within the running costs bid is pay, which constitutes 58 per cent of the running costs bid and almost 30 per cent of the total bid in the first year. This reflects both the artificially low baseline and "pay realism" with allowance made for pay settlements in the region of 9 per cent in first year and 8 per cent thereafter. Funds are also requested for four additional staff in each year of the Survey: deployment of these posts is expected to be primarily in the area of information technology and conservation. The need for additional searchroom staff in 1992 can be avoided by improved guidance to readers in the form of video-recorded introductions and more detailed catalogues: bids to fund the production of these by casual and consultancy staff have therefore been included. In respect of the general administrative expenses of the department, funds are sought to meet the rising cost of maintaining specialist accommodation both at PRO sites and at the British Film Institute; of training (largely as a result of central initiatives and the expansion of information technology); of travel (entirely as a result of the relocation of departmental records sections to the provinces); and of security. Market testing of security services in the course of the next year may result in savings from 1991-92 which will be offered as such in PES 1990.

31. My officials stand ready to provide whatever additional information is required. I am copying this letter and its enclosures to the Prime Minister, the Lord President, the Home Secretary, the Attorney General, the Secretary of State for Northern Ireland and the Secretary of State for Scotland.

*Yours ever,*

*James.*

TABLE 1

## PES 1989 - LORD CHANCELLOR'S DEPARTMENT

## BASELINE

	£million				
	1988-89 Estimate	1989-90 Estimate	1990-91 Plans	1991-92 Plans	1992-93 Plans
Running costs	214.377	238.988	252.545	272.446	279.257
Non-Running costs	32.068	31.805	34.955	35.829	36.725
Jurors & Court Reporting	33.957	36.419	38,868	39,839	40,835
Consolidated Fund (Judicial Salaries)	34.687	37.802	39.247	42.116	43.169
Court Building	63.42	80.202	81.651	82.370	84.429
Office and General Accommodation	1.050	2.761	.992	1.014	1.039
Legal Aid	487.819	545.284	598.252	634.433	650.294
Grants to Law Centres	.730	.768	.787	.806	.826
Costs from Central Funds	21.695	11.737	12.293	12.363	12.672
Legal Aid Administration	26.888	30.319	31.998	32.748	33.567
Hague Convention	.034	.036	.037	.038	.039
Appropriations-in- Aid	-165.503	-172.466	-178.345	-182.679	-187.246
<b>TOTAL</b>	<b>751.330</b>	<b>843.650</b>	<b>913.290</b>	<b>971.320</b>	<b>995.600</b>

## PES 1989 - LORD CHANCELLOR'S DEPARTMENT

## TABLE OF ADDITIONAL BIDS

	fmillion		
	1990-91	1991-92	1992-93
Running costs	29.154	50.129	90.599
[of which new initiatives	3.931	4.133	3.933]
Non-Running costs	11.788	8.274	8.125
[of which new initiatives	3.927	1.242	0.122]
Jurors and Court Reporting	3.571	6.335	9.456
[of which new initiatives	1.643	1.643	1.643]
Consolidated Fund - judicial salaries	4.366	4.314	5.796
[of which new initiatives	1.334	1.334	1.334]
Court Building	29.400	28.630	26.671
Office and General Accommodation	1.508	0.0	0.0
Legal Aid	31.420	55.778	94.192
[of which new initiatives	25.173	25.073	25.073]
Law Centres	0.035	0.035	0.035
Legal Aid Administration	3.944	6.578	7.206
<b>SUB TOTAL</b>	<b>115.186</b>	<b>160.073</b>	<b>242.080</b>
Appropriations-in-Aid	0.0	0.0	0.0
<b>TOTAL</b>	<b>115.186</b>	<b>160.073</b>	<b>242.080</b>
 <u>MANPOWER PLANS</u>	 1990-91	 1991-92	 1992-93
	11,287	11,250	11,250